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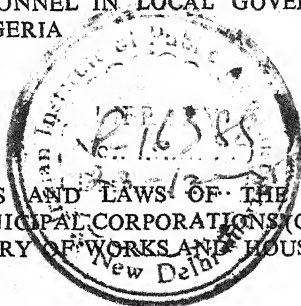
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## Contents

	PAGE
<b>Articles</b>	
CONSTITUTIONAL STATUS OF MUNICIPAL GOVERNMENTS	1
<i>Mohd. Akbar Ali Khan</i>	
URBANISATION AND REGIONAL DEVELOPMENT: THE INSTITUTIONAL PERSPECTIVE	12
<i>Abhijit Datta</i>	
THE MINIBUS IN CALCUTTA: AN ANALYSIS OF ITS PERFORMANCE	16
<i>Dilip Halder and Gurudas Gupta</i>	
COLLECTION OF PROPERTY TAX: A CASE STUDY	56
<i>Buddhadeb Ghosh</i>	
DEVELOPMENT OF PERSONNEL IN LOCAL GOVERNMENT ADMINISTRATION IN NIGERIA	79
<i>D. D. Malhotra</i>	
<b>Book Reviews</b>	
CONSTITUTION, POWERS AND LAWS OF THE URBAN LOCAL BODIES AND MUNICIPAL CORPORATIONS (GOVERNMENT OF INDIA, MINISTRY OF WORKS AND HOUSING)	93
<i>Abhijit Datta</i>	



STATE-MUNICIPAL FISCAL RELATIONS: A COMPARATIVE  
STUDY OF AUSTRALIA AND INDIA (ABHIJIT DATTA)

101

*G. Thimmaiah*





# *Constitutional Status of Municipal Governments\**

MOHD. AKBAR ALI KHAN

THERE ARE essentially four types of governments: supra-sovereign, sovereign-national, quasi-sovereign (federated) and infra-sovereign. Supra-sovereign governments are relatively undeveloped. It is indeed the sovereign-national government being a unitary government which exercises complete authority and power over all other units. A quasi-sovereign (federated) state divides the sovereignty between the national government and the governments of the major constituent geographical parts, so that each of them within its own sphere, is supreme and independent. One of these spheres which, in principle, is reserved to the state government is the local government. Thus the laws establishing and controlling the local government are generally state laws. Local governments are, therefore, infra-sovereign geographical subdivision of a sovereign national or a quasi-sovereign state.

## CONSTITUTIONAL STATUS

The constitutional status of local government differs from country to country. The local government derives its authority from three types of central government documents, namely: (i) constitution, (ii) statutes; and (iii) administrative regulations. The functions derived by virtue of the clauses of the constitution are considered decentralised functions in which the units of the popular representative government have more discretionary authority. Some of the European countries and the USA have state constitutions that guarantee to the municipalities local government 'domestic' functions. Even in Japan, Brazil, Egypt and a few others, the principles of local government are laid down in their respective constitutions. In most parts of the world, including India, local governments derive their authority from the acts and statutes passed by the central or state legislatures. Powers

\*Paper submitted at the IIPA seminar "on Status of Municipal Government in India Today", July 29-30, 1983.

derived by virtue of administrative rules and regulations or rather delegated legislation are inevitably deconcentrated in which the local councils have little, if any, discretionary authority.

The Constitution of India has no doubt bracketed the central, state and local governments as 'state' in Article 12 of the Constitution. But they can be distinguished from one another in respect of the receipt of popular mandate. The central and state governments receive mandate from the constitution and constitute the locus of legal sovereignty, while the local government enjoys authority under statutory law. The former exercises original authority, while the latter exercises delegated authority. But the latter also receives popular mandate from its local electorate. Thus, the responsibility of local government is both upwards and downwards, perhaps, more significantly downwards because of the popular mandate that provides it a fresh lease of life.<sup>1</sup> It may, however, be mentioned that discrimination has been made between rural and urban local bodies. As regards the rural local bodies, the Constitution of India has made a specific mention in Article 40, which expects that state government will constitute village panchayats and also endow them with powers to function as units of self-government. But, unfortunately, nothing has been mentioned about the urban local bodies, like municipal corporations, municipalities and others, except that they are included as Entry 5 of the State List. This has led to an anomaly in that one category of local government is fortunate enough to acquire the status of local self-governing unit constitutionally, while the other has been deprived of this opportunity.<sup>2</sup>

By local government is generally meant a system of territorial units with defined boundaries, a legal entity, institutional structure, powers and duties laid down in general and special statutes and a degree of financial and administrative autonomy. It is defined as the complex of elected authorities together with all the administrative machinery attached to it for the management of local affairs. Its institutions shall be under elective control. Hence, there can be no self-government without the principle of election. Thus, democracy and local governments are linked together.

Yet, historically there have been three contradictory views of how local government and democracy are related. The first view that of Toulmin Smith is a cherished tradition in total opposition to elected

<sup>1</sup>M.A. Muttalib and M.A.A. Khan, *Theory of Local Government*, New Delhi, Sterling Publishers, 1982, pp. 10-11.

<sup>2</sup>India (Ministry of Works and Housing), *Report of the Study Group on Constitution; Powers and Laws of Urban Local Bodies and Municipal Corporations*, Appendix No. C-1, New Delhi, 1983, p. 50.

democratic principles.<sup>3</sup> The second view propounded by Langrod and Mouline is that the principles of democracy—majority rule, egalitarianism and uniform standards for all—cannot accommodate a claim of local government which is parochial, diverse, varied and potentially oligarchic. Langrod declared that it was equally false to say that local government is an instrument for political education.<sup>4</sup> The third view is that of John Stuart Mill's which holds that democracy and local self-government are necessarily related. He felt the need of local government on three grounds: (i) on the principle of division of labour; (ii) local functions carry down the important political education to a much lower grade in society; (iii) those who have interest in common, may best manage their joint interest by themselves.<sup>5</sup> In fact, the English tradition has been that local self-government teaches prime democratic virtues: the justness of one's claim and those of others, and the need to select among competing claims that are to be given priority.<sup>6</sup> The Webbs, too, favour local government as it strengthens the concept of 'municipal socialism'.<sup>7</sup> The Indian tradition swings between both the extremes—democratic tradition of liberals and centralised traditions of conservatives. This interplay of democratic tradition and centralism resulted in a *via media* theorisation that local self-government is a must as no national democracy can be sound without local democracy. But, at the same time, central control with extreme powers of supersession and dissolution is also necessary for the provision of better services.

Thus, the character, quality, constitutional and legal status of local government are determined by a multiplicity of factors like national and local traditions, customary deference patterns, political pressures, party influences and discipline, economic resource controls and social organisations and beliefs.<sup>8</sup> If the self-government tradition in England had given the people of the community opportunities to participate in local government through meaningful elections and to have access to public officials to express their opinions by organised and individual activity with decentralisation of authority and wide discretion to local

<sup>3</sup>For an outline of Toulmin Smith's theories see, J. Redlich, and F.W. Hirst, *Local Government in England*, Vol. I, London, Macmillan, 1903, p. 10.

<sup>4</sup>Langrod, Georges, "Local Government and Democracy", *Public Administration*, Vol. 31, 1953, pp. 26-31.

<sup>5</sup>J.S. Mill, *Considerations on Representative Government*, World Classics Edition, London, Oxford University Press, 1912.

<sup>6</sup>Keith Panter-Brick, "Local Government and Democracy—A Rejoinder", *Public Administration*, Vol. 31, 1953, pp. 344-347, & Vol. 32, 1954, pp. 438-440.

<sup>7</sup>Sydney and Beatrice Webb, *Constitution for a Socialist Commonwealth of Great Britain*, London, S & B Webb, 1920, p. 207.

<sup>8</sup>Lockard Duane, "Local Government", *International Encyclopaedia of Social Sciences*, Vol. 9, New York, Crowell Collier & Macmillan, Inc., 1972, pp. 451-459.

bodies, the centralisation trends in France have made the local self-government institutions more as agents of government rather than as units of local self-government. Again, if the local self-government in England and India is treated as an educative force, a training ground for the politicians in the making and also as a provider of services, the French tradition does not believe in its training role but considers it as a provider of services under strict central tutelage in political, constitutional as well as administrative affairs by the agent of the central government—the Prefect. Though the American pattern is influenced by the British tradition, yet the local governments are restricted in scope by the rule of strict construction. Even cities enjoying Constitutional Home Rule are day-in-day-out being denuded of their small area of local functions. The Local Autonomy Law in Japan and the citizen control in the Swedish Local Government over the field of 'unregulated' or 'free' functions has, to a certain extent, reduced control tensions and enhanced the status of local government. If the general competence clause has made the German town the standard bearer of civilisation and culture the ultra vires principle in England and India has denigrated local bodies and curbed their initiative.

#### DESIRED NATURE, LEVEL AND FORM

The question now arises unbidden to the lips as to what should be the nature, level and form of local government? Should the local government, like other levels of government, share with them the legal and political sovereignty deriving authority directly from the constitution? Or, should be it a body corporate with legislative and executive arms along with territorial jurisdiction deriving its authority under statute or law?

As regards the first question, it may be pointed out that nowhere throughout the world, either in unitary or federal state, local government is accorded a sovereign status. No doubt, it has been mentioned in the constitution of many countries; yet, it has been kept under the control of higher units of the government. For example, in France, local government has been mentioned in Title X of the constitution of the Fourth Republic as 'local administrative units' and in Title XI of the constitution of the Fifth Republic as 'territorial entities'. It means that it has been given a subordinate status. In the USA the cities have fought a losing battle in getting recognition in regard to its status and powers. They had appealed to the Contract Clause of the constitution and the 14th Amendment, but the appeals were turned down by the court. Finally, they took refuge under the 'home rule' provisions of the state constitutions. The 'home rule' is made available to the

municipalities through two devices. First, and generally the most satisfactory method, is the extension of privilege of home rule by self-executing constitutional provisions. Under this plan no action of the state legislature is required to make the privilege available to cities. Then, there is legislative home rule, where mandate is given by the legislature.

'Home rule' is the principle of extending the sphere of local self-government to allow local action in local affairs by means of locally drafted charters and by enlarging the scope of the Council's ordinance making power and of local administrative jurisdiction while accepting legislative control and administrative discretion from the state on matters that are of general interest to the Commonwealth.<sup>9</sup> In simple terms, constitutional home rule may be defined as the power conferred on cities by the state constitution to frame, adopt and amend their own city charters in conformity with the state constitution and laws. The state laws will still apply and take precedence over home rule charters. In the words of Munro, "Municipal Home Rule does not mean, therefore, that each city can set up a rock-ribbed republic, but that it shall be free from state interference within that rather limited area which is usually designated as the field of strictly municipal affairs."<sup>10</sup>

The functions of government are interlocking, interrelated and interdependent. They simply cannot be disentangled or cut into separate slices called national, state and municipal. Therefore, the question which powers of self-government should be guaranteed to cities is one of policy and changing circumstances more than law. Thus home rule does not seek to create a self-executing imperium in an imperio, a sphere of power that legislature cannot touch, losing sight of the fact that city is an agent of the state as well as an organisation for the satisfaction of local needs.

In India, too, there has been, as said earlier, a provision in Part IV of the constitution that the states are morally bound to make village panchayats as self-governing units. It means that rural self-government has been, to a certain extent, ensured by the constitution, but nothing is mentioned about the urban local bodies like corporations and municipalities. This has produced an anomaly in the local government pattern. But this clause does not mean that the rural local bodies have got all the powers of self-government. It is the state legislature which is the authority to create and regulate the self-government. Additionally, the Constitution of India does not prescribe the powers,

<sup>9</sup>James E. Pate, *Local Government and Administration: Principles and Problems*, New York, American Book, 1954, pp. 66-67.

<sup>10</sup>William Bennett Munro, *The Government of the U.S.: National, State and Local*, New York, Macmillan, 1954, p. 760.

functions, duties and responsibilities of the local bodies and they are merely treated as creatures of the state government, with the result that the state government can take away their lives as it breathes life into it. The Rule of Strict Construction, as propounded by Justice Dillon applies: "Municipal corporations owe their origin to, and derive their powers and rights wholly from the legislature. It creates into them the breath of life without which they cannot exist. As it creates, so it may destroy. If it may destroy, it may abridge and control. Unless there is some constitutional limitation on the right, the legislature might by a single act . . . sweep from existence all the municipal corporations of the state and the corporations could not prevent it. We know of no limitation on this right so far as the corporations themselves are concerned. They are so to phrase it the mere tenants at the will of the legislature." Thus, even in the states where the constitution guarantees the right of local self-government, the jurisdiction of the higher level government is supreme.

#### CONTROL OF MUNICIPAL GOVERNMENT

Taking this global picture into consideration, the second question posed earlier stands a reality, *i.e.*, the local governments are the creature of the statute. This is the existing position in all countries, excepting the states in the USA, under "Constitution Home Rule". Consequently, the local governments are controlled by all the organs of the government, that is, the legislature, the judiciary and the executive. In the first instance, the local authorities are creatures of law. They are brought into existence by the legislative process. Consequently, they have no inherent power. They are artificial persons, corporations created by acts or statutes or a charter with defined limits, duties and powers, primarily to regulate the local internal affairs of the territory or district incorporated and secondarily to share in the civil government of the state in the particular locality. The local bodies, therefore, are not legislative bodies. They are executive bodies exercising powers or discharging duties given to them by the legislature. They are, therefore, in the eyes of the law, creatures of the statute.

Then, there is judicial control which, though spasmodic, has a great say in the affairs of local bodies as well as relations between them and the state legislature. The judicial remedies play a great role in the organisation and functioning of the local bodies.

These two forms of control "are old and exercised by bodies not exclusively concerned with the affairs of the local authorities, nor instituted primarily to consider its problems. The remaining form is

new and has been expressly created for this purpose".<sup>11</sup> This new form is the administrative control. The administrative power includes *inter alia* general tutelary powers, sanctioning of bills, bye-laws and administrative schemes, suspensions and dismissals of elected officials, review of local decisions with a right to the higher level government to check and annul or refuse or render invalid decisions made by the local units.

More important than this is the action in default culminating in supersession and dissolution. If dissolution stems from lack of confidence in the competence of the councillors, supersession from that of the electorate. Thus, dissolution is a device intended to penalise the councillors for their maladministration, while supersession is an action taken to punish the electorate for their incompetence to elect competent councillors. Hence, dissolution is a less severe device than supersession. The supersession device is a 'shaming device' which is to be used as a last resort. But in India this is being extensively used for political rather than administrative or financial purpose. In fact, the 1970s present a dismal picture of the state and municipal relations. Out of 66 corporations in India, 47 are under supersession. Besides the corporations, a number of municipalities are superseded in lump and they continue to remain superseded for quite a long time.

Another important area where the control is all pervasive is the area of finance. Even in countries like Sweden, where lot of leeway is given to the local bodies, there is financial control over borrowings and loans, and in a few countries including India, even the budget is subjected to the scrutiny of the higher level governments. Besides, grant-in-aid which is a power not only to keep alive but also to kill, holds sway in central-local relations. Due to the weak tax base of the municipalities, the central grants have to flow, and more the central grants, the more is the control.

#### SOME SUGGESTIONS

What is wrong in the central-local relationship is partly that the central government tries itself to do some of the things that belong to the local government and partly that local authorities are not given enough freedom to go their own way. In addition, they are subjected to a number of minor controls and requirements which stifle their initiative in managing their own affairs and making their own decisions. Moreover, the central ministers are deemed to be the

<sup>11</sup>William O. Hart, *Introduction to the Law of Local Government and Administration*, London, Buterwath, 1957, p. 267.



final repository of reason and their opinion is placed above the views of the local electorate.<sup>12</sup> In the realm of local finance, too, the central guillotine is working fast. If such is the state of affairs in federal-decentralised and unitary-decentralised local government systems with the exception of the Scandinavian countries, the Napoleonic-Prefect system exhibits excessive arbitrary control by adopting the device of political, administrative and financial tutelage which in the words of M. Herriot, "leads to paralysis or to suspension of initiative". Then again, if the communist systems are examples of democratic centralism with strict party control from top down, in the post-colonial system, there is still the continuance of the great authority of the outside supervisor.

All this speaks of the low constitutional and legal status of the local bodies with subordination of local autonomy to the dictates of central power. What is surprising is that throughout the process of centralisation "not a word of protest was uttered by local councils"<sup>13</sup>. This mood of despondency and abject subservience must be brought to a halt by tempering central control with the spirit of compromise, each unit of government influencing the other. This can be achieved provided certain drastic changes are made in the central-local relations politically, constitutionally, functionally and organisationally.

It is no doubt reasonable to recognise the responsibility of the higher level governments; still, local governments must be given a real measure of freedom for reaching their own decisions and settling their own priorities, developing their own methods and experimenting initiative, especially when the post-independence era is marked by planning and development efforts in the pursuit of welfare state commitments within the framework of democracy and development with cities and towns playing a strategic role in the regional and national development.<sup>14</sup> This should be achieved by reorienting the political relationship, thereby making the local authorities really responsible to the local electorate for the adequacy of services which they provide and also by changing the constitutional relationship.

The theory of relationship between central and local governments should be built on the model of relations between the centre and states in the American Union. There, the reserved powers belong to the federal government and the residuary powers are within the ambit of state control. So, in a similar fashion powers not specifically

<sup>12</sup>William A. Robson, *Local Government in Crisis*, London, George Allen and Unwin, 1966, p. 51.

<sup>13</sup>*Ibid.*, p. 48.

<sup>14</sup>*Report of the Study Group on Constitution, Powers and Laws of the Urban Local Bodies and Municipal Corporations, op. cit.*, p. 4.

forbidden to local authority might be exercised by them. Better still, road must be cleared for the establishment of cooperative federalism. A separate list entitled Local List of subjects prescribing constitution, duties and powers of the local bodies and relations with the state government may be constructed which should *inter alia* include management of functions, provision of local amenities and organisations of services according to local needs.<sup>15</sup>

Certain elements in local government are so essential for its continuance as a real force that the higher level governments should not be given powers to interfere with them. Three such vital elements are : (i) the right of the local electorate to elect whomsoever they please to the local bodies; (ii) the necessity for local body to be able to rely completely on the loyalty of its officials; (iii) the freedom of local authority subject to the general doctrine of fiduciary position to spend the money it raises from local taxes in any way which pleases the local electorate to which it is responsible. This will give a fillip to the promotive and reformatory role and retard the negative and punitive role of the higher level government.

The action in default leading to dissolution and supersession is the result of government's inaction at the time when the decadence in a local body starts. The accumulated maladministration becomes the cause of superseding the local body to meet the political exigencies. Supersession clause may be dispensed with, as in the case of the Bombay Municipal Corporation Act, 1888. Even if it is allowed to retain, the charges of supersession must be thoroughly examined by a one-man Tribunal headed by a serving or retired high court judge who should give his verdict within a month. However, in no case the period of supersession must be more than a year after which the elected Council must be restored.<sup>16</sup>

The principle of *ultra vires* as existing in England and India has inhibited the local authority from doing anything at all, except what is specifically permitted by law. The local authority has no freedom at all to start with, but special privileges have from time to time been conferred on it to allow it to do certain things. Local authorities may thus be said to live in the terrible land of *ultra vires*. Every of the powers legally acceptable by the local authority must be based upon the provisions of the act of legislature. This principle of *ultra vires* which discourages enterprise, handicaps development and increases excessive control, should be substituted by the general competence clause thereby enabling the local bodies to undertake at their discretion, services for the good of the community, in addition to those

<sup>15</sup> Report of the Study Group on Constitution, Powers and Laws of the Urban Local Bodies and Municipal Corporations, p. 50

<sup>16</sup> *Ibid*, p. 37.

provided by specific legislation.<sup>17</sup>

Again, detailed control over the composition and internal organisation of local authorities should give way to 'Home Rule' in the real sense of the term, so that local bodies can frame and amend their own bye-laws about governmental organisation taking into consideration the local needs. This can, in the first instance, be extended to the municipal corporations of metropolitan cities with million plus population.

The financial relations too must be re-designed by expanding the local tax base by providing a separate list of local taxes in the constitution.<sup>18</sup>

Together with such re-shaping of political and constitutional relations, there is need for restructuring the organisational set-up in charge of the central-local relations. Today, local authorities have dealings with not only one department of government but also with a number of departments with different patterns of relationship; if some are meticulously rigorous, others give greater freedom. This has led to fragmentation of relationship resulting in the fragmentation of administration militating against coordinated and integrated approach. In order to end this chaotic picture, there is an urgent need for a single ministerial department responsible for the coordination of policies and programmes of the government in relation to local authorities.

This, indeed, is not enough. The ministerial department at the secretariat level must be supported by a high-powered directorate of local self-government with hierarchy of officers at the subordinate field level including an effective inspectorate. The functions of this directorate should, broadly, be policy formulation, legislation, administration and supervision, training and personnel management, fiscal policy and financial assistance and programme planning, coordination and supporting services.<sup>19</sup>

Such a reorganised relationship at the political, constitutional, functional and organisational levels will loose-joint the central leviathan negating the assumption that local authorities are merely puppets without will. While supervision and control must secure the proper performance of the duties entrusted to the local authorities, it must, at the same time, concern itself with education and technical

<sup>17</sup>*Report of the Maud Committee on Management of Local Government*, Vol. I, HMSO, London, 1967, pp. 76-80. Also see, *Report of the Study Group...*, *op. cit.*, p. 28.

<sup>18</sup>Md Akbar Ali Khan, "Levy of Property Tax" in M.A. Muttalib and N. Umpathy (eds.), *Property Tax Administration*, Hyderabad, Osmania University Press, 1978, p. 18.

<sup>19</sup>United Nations, *Central Services to Local Authorities*, New York, 1963.

support, training and services of local staff. Such an approach will result in increasing the capacity of the local bodies to provide services effectively, in extending local autonomy, in restoring local responsibilities and in creating a framework for central government and local government relationship, which promotes decentralisation, while protecting government's legitimate interest in the performance of local government, avoiding complete politicisation and bureaucratisation. Thus, there should be shared objectives of decentralisation, efficiency and economy.<sup>20</sup> The central-local relations must, therefore, be no longer considered from antithetic angle of local autonomy vs. state powers, but rather from one of partnership and cooperation aiming to secure the best and most efficient services for its people.<sup>21</sup> As pointed out by Lady Hicks, "the kind of relationship between Central and Local Governments that has to be aimed at is neither control of Local Government by the Central Government nor such concurrent powers as would be appropriate for the units of Federation. Rather, the optimal relationship would be a partnership of two active and cooperative members, but with the Central Government definitely the senior partner".<sup>22</sup> Thus, time has come to recognise that cities have come of age, that they are equal partners in the sovereign business of the government and that the democratic institutions can be stronger only if local councillors are given full responsibilities for managing their own affairs. Accordingly, a better constitutional-cum-legal status may be accorded to the governance of cities and towns. □

<sup>20</sup>Muttalib and Khan, *op. cit.*, p. 231.

<sup>21</sup>India (Ministry of Health and Family Planning), *Report of the Rural-Urban Relationship Committee*, Vol. I, New Delhi, 1966.

<sup>22</sup>Ursula, Hicks *Development from Below*, Oxford, Clarendon Press, 1961, p. 437.

# *Urbanisation and Regional Development: The Institutional Perspective\**

ABHIJIT DATTA

THERE ARE two ways of looking at regional urban development: one way is to look at the urban concentrations from the point of view of the region—the regional perspective—and the other is to view the regional problems from the angle of the urban concentrations—the metropolitan perspective. We shall examine the institutional problems of development from both these perspectives and see to what extent there are convergencies and divergencies in outlook and what are the implications for institutional reform to promote regional development.

## THE REGIONAL PERSPECTIVE

The regional perspective is most pronounced in the efforts to develop resource regions within a compact geographical area endowed with natural resources, like river valleys, mineral-rich areas, hill areas, coastal strips, etc. The emphasis here is to develop natural resources within a physically homogeneous tract and the institutional devise is usually to create an *ad hoc* authority for this purpose. The delineated area is usually sub-State, but supra-local. Even when a local area is chosen to be the unit of such a region, as a district for the backward industrial region, the local government unit relevant for the district, *i.e.*, the zila parishad, is not the designated development authority. Instead, an *ad hoc* special purpose body is created for the purpose. It is possible that within a State, a number of such special *ad hoc* authorities are created to cater to the myriad development needs of the various regions, each delineated for a special purpose with its own boundaries. This inevitably creates problems of coordination between the *ad hoc* authorities and the States' field

\*Paper originally prepared for the seminar on "Urbanisation and Planned Economic Development—Present Scenario and Future Perspectives", organised by the Centre for the Study of Regional Development, Jawaharlal Nehru University, New Delhi, September 20-21, 1982.

administration on the one hand, and the local government units falling within the respective jurisdictions of these authorities on the other; thus, the emergence of the *ad hoc* development authorities not only bypasses the traditional governmental machinery at the field level, in turn these weaken the very system of field administration and local government in their control and coordinating roles. Naturally, the *ad hoc* development authorities are bedevilled by the problems of competitive jurisdictions, inadequacy of regulatory powers, lack of local accountability and participation, and insufficiency of locally raised resources. All these shortcomings bedevil the working of the *ad hoc* development authorities, especially during the operation and maintenance phases. These problems are particularly acute in the development of inter-district development where the traditional units of field administration and panchayati raj are smaller than the so-called development areas.

#### THE METROPOLITAN PERSPECTIVE

On the other hand, within a metropolitan region the development needs are conceived in terms of the urban settlement and the relationships arising out of the urban core and its periphery. Essentially, therefore, metropolitan development is multi-functional in its scope and the development authority designed for this purpose must also have such a dimension. Planning does meet this multifunctional requirement, but it is extremely difficult to bring together the various functional threads of such development within a single *ad hoc* authority, except through a process of decentralisation from the State to the units of field administration or through a process of devolution of State functional responsibilities to the local governments. Again the metropolitan areas delineated do not conform to the boundaries of the States' field administration or local governments and; consequently, the problems of control and coordination become manifest.

To some extent, the metropolitan institutional problems have been sought to be met by extending the boundary of the core city, as in Bombay, but there is clearly a limit to such expansion. It is not possible to presume that the development needs and the resource-raising capabilities of the core city and its periphery would be identical. Necessarily, one has to strike a balance between a coordinating authority and the primary authorities within a metropolitan area in terms of their functional and financing roles and a two-tier authority thus becomes an attractive alternative to the creation of a host of single-purpose *ad hoc* authorities. However, lack of unification of the system of local governments may influence the nature of the coordi-

nating authority and the pattern of relationships with the primary local government units. If the municipal authorities are dealt with by the state government directly and not through its field administration, as in India, the nature of the metropolitan authority must conform to a system of federated municipal organisation, rather than a new unit of the State's field administration. To the extent this is not acceptable, the nature of the metropolitan authority would partake of the familiar features of an *ad hoc* authority—as in India—or a new variety of a State's field administration—as in Japan (prefectures) or in the middle-eastern countries (governorates). The experience in India shows that along with a proliferation of functional *ad hoc* authorities, there is also an *ad hoc* metropolitan development authority charged with the planning and construction roles. These two types of authorities rarely act in unison, while the control and coordination powers of the metropolitan development authorities are diluted to transform these into institutions for project monitoring and channelling of external resources to the various public authorities.

#### INSTITUTIONAL REORGANISATION

The institutional requirements for metropolitan development are basically different from those of traditional regional development; in the former, a stable on-going public institution with powers of control and coordination are necessary; in the latter case, development is conceived as a single-shot exercise to be serviced by the normal machinery of government at the field and local levels. If this is accepted, then a multi-functional development agency for regional development is inappropriate or dysfunctional—these necessarily have to be single purpose *ad hoc* authorities to be wound up after the construction phase is over. In the metropolitan context, however, there is a need for a new type of institution to be created out of the participating local authorities which could exercise the local powers of coordination and control over the entire metropolitan area and take on additional tasks of the State functional agencies on a delegated basis. Such a metropolitan authority could then be endowed with the taxation and police powers of a local authority to be exercised through the representatives of the primary participating units constituting it. The existing metropolitan authorities in India lack such a mandate from the local authorities within their jurisdiction and are necessarily handicapped to discharge responsibilities which are prerogatives of only elective public institutions at the sub-State levels.



## THE ROLE OF STATE GOVERNMENTS

The administrative problems of regional development have far-reaching implications for the machinery of government within the states. Not only would this affect the role of the traditional field administration set-up, but this would also affect the functioning of the executive organs of the states, *viz.*, the directorates. Within the metropolitan areas, there is a need to vacate the operations of the directorates that deal with metropolitan services; others which cannot be suitably merged with the metropolitan authorities, like police, may have to be made coterminous with the metropolitan jurisdictions. For the single-function development regions, however, the reorganisation would affect only a single departmental set-up; the regional functional authority could take over the concerned directorate's responsibilities within its area. However, proliferation of such *ad hoc* development authorities would need a new type of coordination and control mechanism at the State-level, traditionally exercised by the house-keeping departments at the secretariat and the district machinery in the field. If these *ad hoc* authorities function as private estates of their mother departments, then the functional departments may have to exercise the house-keeping role of the state government through deputed officers from finance, personnel and administrative reform. Without such control, the public accountability and control of expenditure objectives may be seriously jeopardised.

The implications of a metropolitan development authority, created through the participation of the concerned local government units for the departmental set-up of the state government may be to merge its planning department with the town and country planning department and unification of the twin departments for the municipal and panchayati raj bodies into a single local government department.

## CONCLUSION

One could conclude that although regional planning and development has so far been conceived primarily in local terms with an enlarged coverage, a durable solution to the institutional problems involved in such an endeavour lies in terms of devolution of State functional responsibilities to sub-State institutions. In a metropolitan area such an effort inevitably leads on to create durable representative institutions. The implications of these may be more radical than we are prepared to accept; however, without such an elective mandate it is difficult to see how a bureaucratic authority can effectively negotiate with representative local governments at the sub-State level. □



# *The Minibus in Calcutta : An Analysis of its Performance*

DILIP HALDER AND GURUDAS GUPTA

THE EXISTING urban surface transport system (USTS) in Calcutta may be modally classified into : (a) Mass Transit Units, and (b) Informal Transit Units. The Minibus though officially initiated as a point-to-point access mode has over the years retained very few features of its informal/personalised/paratransit character. It has been operative in Calcutta since March 1972. Initiated under the aegis of the Additional Employment Programme, this mode rolled into the streets of Calcutta with a fleet strength of 7 vehicles. Within a year this number swelled to 103, indicating its immediate acceptance by the ever captive 3 million commuters. By this time the operational area had been extended upto Howrah and beyond so that new routes had to be sanctioned and more vehicles pressed into service along existing routes. By 1974, 320 additional permits were granted and an equal number of vehicles simultaneously released, which was a further proof of the growing popularity of this mode. Today, out of the total number of 5.5 to 6 million commuters serviced daily by the USTS, the Minibus carries an average payload of 0.25 million.

Initially viewed with scepticism by the authorities regarding its economical viability to both owners and users, its easy acceptance and mushrooming growth finally convinced them that this mode had come to stay and flourish. Although this mode by itself catered to a selective and hence a minority clientele, it disclosed new possibilities of modal introduction and operational classification. A scientific categorisation of passenger demand characteristics could be envisaged for the first time due to its operational exclusiveness which reflected on the expenditure pattern of the commuters and thereby offered the planners a vision of the modal mix that could be most suitable under the existing conditions. In this respect, the Minibus (MB) could be hailed as a landmark in the traffic-scape of Calcutta where prior to their introduction, fare increases of conventional modes had been unanimously resisted by the populace, sometimes violently.

ADMINISTRATIVE SHORTCOMINGS ACCOMPANYING  
INTRODUCTION OF MODE

The process of initiation of this mode into the metro-scape was not without the usual administrative complications. Following the government's directive to introduce MB within the metropolitan and urban area of Calcutta, the regional transport authority (RTA) was authorised to issue permits to the respective entrepreneurs. Under the central plan to provide employment to half a million people, the state government directed the RTA to grant MB permits on a priority basis to deserving but unemployed people through the Additional Employment Scheme.

There were, however, other criteria for determining the eligibility of entrepreneurs. Accordingly, the selection of applicants by the RTA was also carried out under the following classifications :

- (a) whether a member of any scheduled caste/tribe;
- (b) whether a disabled/handicapped person;
- (c) whether an ex-serviceman;
- (d) whether a holder of driving/conducting licence; and
- (e) whether a member of any registered transport cooperative.

It was in this context of a final selection that doubts were raised over the impartiality of allocation of permits by the RTA. To complicate matters further, banks, the major financiers of vehicles readily favoured those entrepreneurs whose immediate financial credibilities were questionable but whose immediate loyalty to the political party in power certified their claims over others. It is interesting to note that henceforth banks have become wiser through experience since it was discovered that such entrepreneurs were usually foot loose both on their financial and political fronts.

The other controversial issue which emerged in this context concerned the registration of MB as 'contract' carriages. The Stage Carriage Act, which in itself is an acknowledgement of the government's inability to meet increasing passenger demand over the years was paradoxically found to be inadmissible on this account. Accordingly, MB were issued with contract carriage permits although their trip fares are computed in stages. This arbitrariness of action on the part of the RTA was justified on the basis of a government order promulgated in violation of the Stage Carriage Act of the Calcutta High Court. This order allowed MB to ply on the streets of Calcutta and its immediate hinterland which constitutes the notified area.

The RTA was then allowed to issue WBY registration initials to an allotted quota of 1000 MBs. beginning with the number 2001.

Route numbers were fixed from 101 to 200. These were evenly distributed over the cityscape in accordance with the linear pattern of area development. Thus numbers 101 to 150 and 151 to 200 represented south bound and north bound routes respectively.

The unexplained part of this *ad hoc* decision reflects the unscientific pattern and prejudicial basis of the government order. Objections were expectedly raised by the existing public transport operators, chiefly the stage coach owners who had been repeatedly assured by the authorities of a revision in fare structure and/or suitable concessions and subsidies on their operating cost. The aggrieved stage carriage operators felt that the government was less sympathetic towards their problems and had cleverly outmanoeuvred their demands by granting MB with contract carriage permits while allowing them to function on a stage-based fare structure.

Regarding choice of operational routes, the RTA was found to be extremely accommodative towards the MB operators. Some of these allotted routes had been denied access to the stage coach operators on grounds of technical and environmental difficulties. This exercise of route-allotment on the plea of providing a more personalised mode of travel without evaluating the typical characteristics of passenger demand in this city, was not digested without apprehension by the other privately owned passenger modes. They viewed this act as a discriminating move by the government to appease some of their hardcore loyalists, thereby denying similar advantages to other existing modes. MBs as IMT were not new to the world of passenger travel. If in reality the authorities were worried about commuters' welfare and in improving the overall transportation activities of this metropolis, such steps could have been taken earlier.

To take deliberate advantage of the increasing trip demand—supply gap by encouraging unhealthy competition among the modes but without caring for any improvement of existing and future model and infrastructural facilities, highlights the shallowness of existing traffic planning exercises. Yet whatever be the real motive behind the introduction of each new mode into the realms of mass transportation, the planner cannot deny the economic and technological advantages it offers the modally elastic Calcuttans and the wealth of information at his disposal through which earnest efforts at systems improvement could be brought about both for short and long term periods.

#### PHYSICAL CHARACTERISTICS

The first MB to ply the trade in Calcutta was a Matador vehicle. The first fleet, however, consisted of 6 other Premier Dodge vehicles

all of which were petrol driven. Hindustan Motors supplied the next lot of vehicles, which by this time included two other makes, namely Willys (later Mahindra & Mahindra) and Standard. Tata vehicles entered the market as late as 1974.

Table 1 provides information regarding the different makes, their payload capacities and fuel consumption figures, relevant for intra-city movement.

TABLE 1 SOME PHYSICAL INFORMATION ON MINIBUSES IN CALCUTTA (1971-1982)

<i>Make</i>	<i>Model</i>	<i>Seating Capacity</i>	<i>KMS/Lit</i>
1. Matador	F 305	14 + 1 (Driver)	10.0 (approx.)
2. Premier Dodge	P4	22 + 1	6.2 „
	P6	22 + 1	4.5 „
3. Hindustan	J6	22 + 1	4.6 „
	T120	27 + 1	6.0 „
4. Willys (M&M)		15 + 1	8.0 „
5. Standard		12 + 1	11.0 „
6. Tata	910 LP	23 + 1	6.0 „
	121OE/32	27 + 1	6.0 „

As evident from Table 1, the seating capacities of each vehicle make determined its revenue earned, the fare structure being identical for all makes and modals. Over the years, the fuel inefficient makes were forced off the roads. Among the endogenous factors responsible were rising cost of fuel, engine oil and lubricants (POL), comparatively higher rise in the price of petrol over diesel, cost of spare parts, general wear and tear of chassis and body, etc. Among the exogenous factors, poor maintenance of roads and certain structural changes in the operational pattern of vehicles ranked high. In 1981-82 certain administrative directives issued by the government on the plea of serving commuters better and which necessitate changes in body design, have finally nailed the coffin on the operations of such vehicles.

As a result, makes 1, 2, 4 and 5 (Table 1) have proved to be economically non-viable to the operators and have gradually been phased out. These have been replaced by increasing numbers of Hindustan and Tata vehicles, which have proved to be both road-worthy and cost-efficient to the operators in the long run.

After 1981, with the authorities closing their eyes to MB carrying more than the manufacturers' specified capacity, the RTA decided to formally revise the physical dimensions of the vehicles. Accordingly, the seating capacity of the vehicles could be uniformly raised from 23 to 27 and/or the interior height to 6 feet. Since May 1981, the body

builders were requisitioned to build or alter the outer dimensions of the carriage to 12.5 ft. x 8 ft. x 9.5 ft. (from ground level), thus allowing a 90 inch passenger space. Operators further increased the seating capacity within the vehicles by laying cushions on the engine-bonnet, battery-box and whatever space that could be utilised without hindering the driving operations of the driver. The principal chassis manufacturers, taking cue, increased the wheel bases of their respective chassis to 120 inch (3048 mm) for Hindustan and 127 inch (3225.8 mm) for Tata. A 45 per cent increase in overhang resulted in additional passenger space than permissible under law.

Such directives and decisions are evidence of the scant regard paid by both the authorities and the operators on passenger safety and comfort. By allowing MB to haul passengers to near-bursting capacity, the basic idea behind the initiation of a high-fare personalised mode has been structurally violated.

One could, therefore, seriously question the justification of retaining a higher service rate for approximately identical facilities offered by other mass transportation modes. Otherwise a noticeable improvement in the quality of service offered by the MB is an urgent policy requirement.

An increase in the physical dimensions of the vehicle results in more passengers being loaded into the already packed confinements. This higher passenger occupancy rate within a limited passenger space is ergonomically unjustified and makes the journey both uncomfortable and suffocating. Apart from passenger discomfort, it encourages unfair inter-modal competition among the operators of the regular mass transit modes and the semi-personalised MB which enjoys a higher revenue-Km. ratio.

From the angle of vehicle design, overcrowding poses a threat to the life of the vehicle and the safety of the users. Road and surface conditions in Calcutta being generally in very poor shape, payload carried above manufacturers' specifications puts excessive strain on the front and rear axles. During peak and near-peak hours, a 3-ton MB often carries load up to 6.5 tons.

Leading vehicle manufacturers agree that though the recent directive to increase the height of the body to 6 feet falls within their design specifications, it nevertheless raises the centre of gravity (CG) of the vehicle from its earlier position. Since the CG, gross vehicle weight (GVW), the turning radius of the outside front wheel, the wheelbase, etc., are factors highly co-related to the stability of the vehicle under motion, excess payload beyond a certain vertical and lateral limit adversely affects the stability condition.

During our discussions with leading chassis manufacturers the justifiability of providing double-wheels at the rear was questioned.

We pointed out that since the MB is universally classified as a medium motor vehicle, its payload is automatically restricted within a generally accepted limit. In consonance with this limit, leading designers throughout the world recommend the use of single wheels at the rear for normal surface transit. Exceptions are made only when the terrain is uneven/inclined or when the vehicle is custom-built to serve any specific purpose, *e.g.*, defence purposes, ambulance, etc.

Why was then the MB operating in Calcutta allowed to operate with an additional pair of wheels? Were the authorities unaware of vehicle design regulations? Did the manufacturers foresee such overloading estimates? Or, did they directly/indirectly encourage extra load on the rear axle by keeping provisions for extra wheels?

While hotly denying any allegations of premeditated marketing policies, the manufacturers, however, came out with some startling revelations:

1. The MB chassis is not uniquely designed or built. Rather, the same chassis is operative on standard/regular coaches and trucks, except that the wheelbase and overhang are altered accordingly. Therefore, it was normal for the MB to have an additional pair of rear wheels which could definitely carry more passengers than such vehicles all over the world are permitted to carry. More often it is the discretion of the owner/operator whether he chooses to fit the additional pair of rear wheels while in operation.

2. Attention to another important aspect of over-loading was drawn by some leading tyre manufacturers. That the selection of tyres and their ply ratings (PR) considerably influence the payload carrying capacity of a vehicle was duly pointed out during our discussions.

According to ITTAC Data Manual, the selection of tyre size and PR shall be decided from the highest individual load on tyre on an axle determined by gross vehicle weight (GVW) distribution. The maximum GVW, which is the load specified by the manufacturer for the completed vehicle shall include :

- (a) the kerb weight;
- (b) driver and occupant weight for the designated seating capacity;
- (c) accessory weight and extra non-specified payload, *i.e.*, standing passengers above the specified number, if any; and
- (d) field modification to provide additional capacity, re-inforcement, etc., made by those other than the original vehicle manufacturer, if permitted.

The load per tyre shall not be greater than that specified in the applicable Table (given in the Manual), which also gives the corres-

ponding inflation pressure for a specified maximum speed of operation. It is, however, mentioned that a change from the original tyre size/type, or inflation pressure should not be made without the consent of the vehicle manufacturer. The MB wheels have rim widths of 6" (Hindustan) and 6.5" (Tata) respectively. For a 6" rim, the tyre size recommended is 7.50-20, for a 6.5" it is 8.25-20. Alternative tyre sizes of 8.25-20 and 9.00-20 can also be fitted on the 6" and 6.5" rims respectively. Standard depth tyres of 12 PR are usually fitted to the wheels during chassis purchase. During overload conditions payload carried by the MB varies marginally in terms of axle distribution. Thus tyre sizes used are uniform on all front and rear axles.

The standard practice by MB operators, in the absence of any checking authority, is to change the 12 PR tyres with heavy duty 14 PR premium depth ones to ensure extra wearing life, but more so for safety during overload conditions, which unfortunately seems to be the rule of the day.

3. The MB chassis has been in great demand ever since its inception as a passenger transit mode. The manufacturers cashed on to this boom. While existing stock was disposed of on the basis of ready cash, often chassis meant for trucks, vans and other carriers were delivered/alterd to MB specifications on terms of spot purchase. Thus whatever was available was supplied to an infinitely elastic market.

4. To this day, manufacturers in India have neither designed nor cared to design a vehicle apropos of 'minibus' terminology, nor have they shown much enthusiasm to standardise such modes according to national or international specifications.

Commenting on the disproportionality of the height of the MB with its length and width, a leading manufacturer stressed the importance of evolving a new system of designing the chassis and body which would take into consideration not only the technological factors like surface conditions and width of roads, payload constraints, engine HP, etc., but the demand vectors of travel as well.

Since the objective of providing mass transportation facilities cannot be fulfilled exclusive of human comfort and safety, any further expansion/alteration of payload space is neither technically nor physiologically justified. It is also imperative that for the purposes of passenger traffic safety and fuel economy, manufacturers of MB chassis should show keen interest towards research and development (R&D) functions of vehicle design in order to evolve and improve on existing mechanical and physical conditions of such vehicles. An appropriate vehicle justifying the nomenclature 'Minibus' both from the point of view of users and operators is the need of the hour. Also imperative is the imposition of a permanent limit on the



physical expansion of passenger space within the vehicle, without which the term 'Minibus' ceases to have any technical or economic relevance.

## FINANCE

This section has been developed in seven stages. The development of each stage is based on information gathered at each level of the study. The information incorporated in this section pertains broadly to details of purchase, insurance and maintenance and operations of the vehicles. Simultaneously the endogenous and exogenous financial constraints encountered by the operators during each stage of operation have also been considered. Finally, the computed costs and revenue returns have been used in a comparative analysis in order to justify the economic operational viability of this mode.

### *Purchase*

The two main makes of vehicles plying in the city today on an economically viable scale are:

1. TATA LP 910A/32 and LP 1210E/32, and
2. Hindustan T—120.

Operators, since 1974, have increasingly shown their affinity to the above makes even to the extent of succumbing to a premium market that had surreptitiously existed in the chassis supply market. Comparatively, other makes (*vide* Table 1) have not commanded any market since and a virtual monopoly position is now enjoyed by the manufacturers of the above makes. Consequently, other manufacturers have ceased to compete with these makes making it difficult for operators of such makes to obtain necessary spare parts. The ingenuity of the local operators has been observed in their prompt conversion of uneconomical petrol engines and other mechanical parts by diesel engines of available makes and also of other mechanical and allied parts. Once again, this action has left these operators at the mercy of the above mentioned manufacturers.

Such was the extent of monopoly exercised that chassis prices increased by leaps and bounds over the years and yet the demand remained unabated till 1978. Since retail purchases of chassis is usually made compulsory through dealers, unscrupulous practices sprung up. As a result a 'premium' was illegally charged from the operators, sometimes to the extent of Rs. 15,000 per vehicle, depending on the make and urgency of delivery. This situation would



have prevailed for quite some time had it not been for a sudden credit squeeze by the financiers of the vehicles who were not getting back their due returns. This ultimately had an adverse effect on the sales of the respective chassis makes and in no time the premium market crashed. Further stern action against defaulters by the financiers resulted in dwindling demand and hence a ready and eager availability of chassis. It was feared that glut in the supply market would create warehousing problems in some cases and would adversely affect production. Since the same chassis could be suitably altered for larger coaches or other modes where the demand was higher, manufacturers at one stage had seriously contemplated such a switch. Ultimately, a compromise was decided upon and one manufacturer slashed down the selling price by nearly 8 per cent.

The unfortunate state of affairs resulting from a partial credit squeeze by the financiers would certainly affect the entire industry in the long run and hence ramifications were sought. While maintaining a somewhat rigid stand on the future financing of this mode the financiers in consultation with the authorities and operators have laid down certain prerequisites for loan sanctions and re-finance. In a recent tripartite meeting in which even the chief minister's intervention was sought, the requisites of credit availability have been marginally relaxed.

Fortunately, the authorities have also decided upon a firm line of action against defaulters and have requested the financiers to thoroughly scrutinise the details of each applicant prior to credit granting. Yet the puzzling factor about the whole issue is the unabated stream of applications sent out by the RTA inviting offers for new routes and vehicles, and the tremendous response it evokes from aspirants. One may be tempted to infer that :

- (a) the RTA has deliberately chosen to ignore the financial crisis faced by aspiring operators who seldom seek to finance the cost of the vehicle from personal resources;
- (b) the random issuing of permits irrespective of the financial soundness of the receiver is a flagrant violation of the conditions laid down for the possession and operation of such a vehicle;
- (c) the market forces of travel demand and supply, input costs and financial resources act independently of each other in a situation which urgently calls for synchronisation rather than unhealthy competition; and
- (d) even among the financiers there exist the proverbial black sheep who succumb to temptations of individual/institutional gains.

The selling price of a new vehicle ranges between Rs. 1.80 to Rs. 2.40 lakhs. Table 2 provides make wise details of the costs of the prevailing makes.

TABLE 2 COMPONENTS OF VEHICLE COST (IN RS.) OF RELEVANT MAKES

<i>Make</i>	<i>Cost of Chassis</i>	<i>Type of Body</i>	<i>Cost of Body</i>	<i>Total Cost</i>
1. Tata (LP1210 E/32)	171,000 app.	Profile Angle	68,000 66,000	239,000 237,000
2. Hindustan (T120)	130,000 app.	Profile Angle	56,000 66,000	186,000 184,000

From 1972 onwards, the price of a vehicle had been progressively on the rise. The price of a Hindustan J6 chassis in 1972-73 was Rs. 62,000. Within a span of 2 years it rose to Rs. 116,000 exclusive of the 11 per cent sales tax that was imposed on each purchase. The Tata MB entered the market as late as 1974 with a higher catalogue price. The superior engine, its sleek and sturdy construction plus the Tata goodwill soon gave it a demand priority. However the restricted supply helped to shoot up the price till a 100 per cent increase in chassis production through modernisation and increase in output at the TELCO plant of Tata in 1978, helped to steady the rate at the 1980-81 level of Rs. 171,000. By this time, non-availability of credit to the operators had created a recession in the supply market and this together with lesser overhead costs (due to increased production) enabled Tatas to maintain the above price level. However, it was also observed during our investigation that a number of buyers had been able to purchase the Tata chassis in 1982 at a discounted price of Rs. 161,000. The answer to this enigma could well lie in the manipulation of discount percentages at the dealers' levels.

The body builders, taking up the earlier cue had also hiked up their prices by almost 120 per cent, so that the present total cost of a vehicle is almost double the amount charged 8 to 10 years ago. By some strange directive, the MB operators had to spend Rs. 5,000—6,000 extra on the interior decorations of their vehicles which included laminated interiors, glass windows, superior upholstery and the like. This amount was in excess of that charged for regular stage coaches with wooden interiors, windows/shutters, floor boards, seats, etc. It was observed that the total cost of the MB was often identical to that of the private stage coaches, if not greater. The RTA explained that MB being of a more personalised nature should provide the consumer with more 'comfort' and 'luxuries'. Probably it had not taken into

account the future increase in payload and the resultant 'discomfort' for the majority of the standing/hanging passengers. It was observed that the large glass panes of the windows often interfered with the air circulation within the confined interiors of a packed vehicle, more so when tobacco smoking was freely permitted. Thus the very purpose of installing large windows was defeated and the unscientific nature of body construction continued in an atmosphere well known for its heat and humidity throughout the best parts of a calendar year. Regarding laws prohibiting tobacco smoking within the moving vehicle, no attempt has been made either by the operators, passengers or the authorities to stop this health hazard probably due to sheer ignorance or may be because of the highly 'personalised' nature of this contract coach-cum-mass transportation mode.

### *Role of Financiers*

Almost 99 per cent of the vehicles are financed by banks. While these include both private and nationalised institutions the majority of the finance is provided by the United Bank of India (UBI), the United Commercial Bank (UCO) and the State Bank of India (SBI) in that order. Following the decision of the West Bengal Government to provide entrepreneurs with credit under the Additional Employment Programme, the lead banks in the state, such as the UBI and UCO were expected to come forward with the requisite amounts. Since then they have played a major role in disbursing credit from their various branches situated within easy reach/respective residential localities of the operators.

The allocation of credit was to be done in the following manner:

- (a) ten per cent of the seed money to be provided by the government as a 'soft' loan payable at the rate of 6 per cent annual interest;
- (b) eighty per cent of the seed money to be provided by the banks payable at an annual rate of interest varying between 12.5 per cent and 15 per cent depending on whether the operator holds a professional driving/conducting licence and his terms with the authorities; and
- (c) the borrower has to provide the remaining 10 per cent from his own reserves as a security deposit.

Since the banks provided the major credit component of the seed money, certain items for scrutiny were set up by them :

- (a) whether the operator possesses a Route Permit;
- (b) whether the operator is eligible to receive assistance under the

Additional Employment Programme. Here the essential criteria was that he/she should possess at least a class Eight and desirably a School Final Certificate along with an 'Unemployment' certificate from a gazetted officer;

- (c) whether the operator could provide the 10 per cent margin money; and
- (d) whether the operator was able to provide a guarantor or possessed the capacity to offer securities in the form of tangible assets which could be converted into cash, *e.g.*, land, buildings, etc.

Under regular conditions, the loan money would be realised from the borrowers in monthly instalments. The number of such instalments would depend on the income generation of the operators. These instalments are fixed and are calculated in the usual manner :

Principal

Nos. of Instalments      +      Interest on Principal.

The minimum and maximum number of instalments was fixed at 36 and 48 respectively. The operator is usually given 3 months' time to repay an instalment otherwise this amount is added to the principal.

The Small Business Development Office (SBDO) Branch of the UBI has played a premier role in extending credit to the vehicle owners. Between July 1974 and June 1982, the total money sanctioned as loan by this branch amounted to Rs. 11,423,000 on 135 accounts. Similarly other branches of this lead bank and other commercial banks have their share of responsibilities in sanctioning such large sums to the entrepreneurs. At present, a separate department called the Small Business Planning Cell (SBPC) operating from the UBI head office has been deputed by the respective institutions to monitor the activities of its borrowers. Besides the regular transactional activities, it has the task of realising the loaned funds and of bringing defaulters to book. When the period of instalment payment is exceeded, the SBPC on its discretion may advise the bank to:

- (a) compound the unrealised interest to the principal over a quarterly period, if the amount is legitimately short of the due; and
- (b) to take legal action against the defaulters.

### *Refinance*

Under the financial guidelines set up by the government and the Reserve Bank of India (RBI), there is provision for refinance of vehicles. Borrowers can avail of this provision from their respective

credit institutions which in turn draw their resources from the Industrial Development Bank of India (IDBI). During a particular year a bank is granted refinance limit covering small scale industries, transportation, etc. Within the IDBI, a special unit, the Policy Implementation and Monitoring (PIM) cell has been set up, expressly for the purpose of controlling refinance loans.

The IDBI has laid down certain conditions for refinance, which may be revised from time to time depending on the government's attitude towards such entrepreneurship and the subsequent RBI guidelines. Some of these conditions which are relevant to the refinance policy of MB are:

- (a) under the scheme for refinance of industrial loans, credit granted to contract carriage operators are not eligible for refinance;
- (b) if transport loans to banks exceed 20 per cent of the total loan sanctioned, refinance is normally disallowed; and
- (c) the IDBI charges interest at the rate of 10 per cent p.a. and the respective banks have to charge the operators a mandatory rate of 12.5 per cent interest, the margin remaining with the bank.

However, a lot of controversy has cropped up involving credit grants in general and refinance in particular. This has forced the financial institutions to take a different line of action against those seeking refinance assistance, further entrepreneurs and defaulters. Some of these are :

- (a) following the recession in the MB chassis market, as a result of credit non-availability to the operators, the latest policy guidelines of the RBI and the government envisage that banks must provide credit support to single vehicle operators irrespective of the availability of IDBI refinance;
- (b) the number of instalments for repayment of initial loans was fixed at 48 and those under the refinance scheme was extended to 60, i.e., over a period of 5 years;
- (c) The penal clause of 2.5 per cent additional interest on the defaulted amount, fixed by the RBI and directed for collection to the respective banks, was not made mandatory but left to the discretion of the creditor. While the UBI claims never to have implemented the clause, others like the Central Bank of India and the Bank of India have applied the clause on defaulters; and
- (d) following the West Bengal government's inability to issue MB with 'stage carriage' permits due to certain statutory problems, the IDBI has accordingly framed certain conditions for

refinance assistance. Such grants will be available in respect of credit issued for purchase of MB provided they satisfy the following requirements:

- (a) the operators do not own more than 6 vehicles;
- (b) the buses are registered with an RTA as public transport carriers;
- (c) the vehicles are given required road/carriage permits;
- (d) the banks will have to confirm that the loans are repayable within the validity period of the permit; and
- (e) the proposals are otherwise in order.

#### *Review*

The reviewing of credit policies and other restrictions on refinance, etc., were subsequent to the general observation, that in most cases the borrowers were:

- (a) reluctant to provide their own investment input;
- (b) reluctant to pay the instalments in time; and
- (c) reluctant to pay back any portion of the loan, in spite of several reminders.

It was also observed that the government sometimes intervened on the borrowers' behalf and had requested the financiers to:

- (a) overlook the 10 per cent payment of seed money by the entrepreneurs, thus forcing the banks to bear 90 per cent of the total vehicle cost;
- (b) relax the terms and rates of interest payment to a uniform 12.5 per cent p.a.;
- (c) extend the period of loan repayment, if necessary, by overlooking the regular pattern of instalment payment during the 'take-off' periods for a lump sum payment later; and
- (d) relax the condition necessitating a guarantor since under the Additional Employment Programme the recipients ought to be granted the status and leniency due to the unemployed.

During the course of our investigation certain malpractices for the purpose of raising investment funds by the borrowers in connivance with the body builders and financiers were unearthed. A higher price quotation for the body structure was obtained from the builders and this margin, usually ranging between Rs. 13,000 to Rs. 15,000 was pressed into the capital component (10%) of the borrower. Again certain bank officials illegally cooperated with the operators in helping

them to gain credit even though their proposals were often not in order. The other distressing factor observed in some of the creditors' attitudes towards loan financing was a distinct element of regional bias. After accepting the proposals for financing of the MB, many banks from outside the region who were nevertheless conducting profitable business within the state refused to honour their acceptance. This was true particularly of the southern banks who had earlier shown extreme reluctance to cooperate in most local and regional enterprises. Of late, however, the state level bankers' committee (SLBC) has taken a determined stand on such prejudicial accounts and positive cooperation has been assured of.

According to the legal endorsement, banks are thus the virtual owners of the vehicles and the actual owners possess the status of hired operators. Once the loan is paid off, the Release Letter (also called the D-form) is issued which entitles the owner to his vehicle.

#### INSURANCE

Under the All India Motor Tariff Act of the Government of India, the MB must be insured to cover all risks of theft or movement. Commercial vehicles are now-a-days compulsorily insured under the comprehensive policies which include all types of risks and mishaps including that of injured party. The New India Assurance Company Ltd., a subsidiary of the General Insurance Corporation of India, is the most popular with the MB owner. Some other insurance companies catering to identical policies are : The National Insurance Co. and the Oriental Insurance Co.

Under the full comprehensive risk policy, the following items are listed and the total amount payable to the company by the policy holders is calculated accordingly :

1. owner Damage (OD)—for a Tata vehicle costing Rs. 239,000, the amount works out to be Rs. 1740.00 p.a.;
2. strike/riot;
3. passenger risk—payable at the rate of Rs. 12.00 per passenger;
4. the running operators, *i.e.*, driver, conductor and cleaner—payable at the rate of Rs. 8.00 per head; and
5. third party liability, *i.e.*, when the accident involves loss or injury to people/objects not mentioned above.

The sum total of all these charges comprises the total amount payable, with a 10 per cent discount on the total if the vehicle is financed by a bank, otherwise the rebate is not granted.

After overloading of the MB had been legally allowed by the

authorities, the insurance companies, in a letter to the government and the financiers, pointed out that since the permit allows the vehicle to carry a specified number of passengers, particularly for the MB, overloading would be an act of infringement of the permit and hence the rules. They also pointed out that overloading not only reduces the usable life span of the vehicle, but that almost all parts are subjected to a higher rate of wear and tear. Hence, the insurance companies would have right to:

- (a) charge higher rates of depreciation on insurance claims to replacement of parts; and
- (b) view insurance claims of overloaded vehicles at the time of accidents in a prejudiced manner.

#### MAINTENANCE AND OPERATIONS

With the increasing costs of fuel, oil lubricants and spare parts, the maintenance and operating costs of the MB are on the rise. Diesel, which was available in 1981 at the rate of Rs. 2.25/litre now costs Rs. 3.01/litre. On an average, a vehicle runs 26 days in a calendar month. It covers an approximate 250 kms./day. With an average fuel consumption rate of 6 kms./litre, the total monthly fuel expenditure on a vehicle currently approximates Rs. 3,500. The cost of a new tyre (14 PR Premium Depth) is approximately Rs. 3,000. In Calcutta, however, very few operators avail of a second helping of new tyres. Usually second hand retreaded tyres are available on hire at the rate of Rs. 8-10 per tyre/day or Rs. 60 for the entire vehicle.

The cost of spare parts such as axles, springs, clutch assembly, fuel pump, etc., which have to be changed/serviced more frequently has assumed prohibition proportions. Major spare parts are often sold at black market rates when not readily available. Spurious spare parts have further vitiated the market and operators, unwillingly or sometimes willingly use these as replacements. As a result, the viable life span of the vehicle is unduly shortened, not to mention the encouragement provided by bad roads and overloading conditions.

The working life of a vehicle is technically specified as 5 years or calculated on the basis of total kms. run, *i.e.*, between 500,000 to 600,000 kms. Normally, total engine overhauling is rarely done but partial repairs on engines such as 'boring', changing of slips or piston rods, etc., have to be frequently performed, usually much before the specified time/km. limit.

Vehicle manufacturers, however, complain that the servicing facilities offered by them to the vehicle owners are seldom availed of and even monthly 'servicing' of vehicles, a 'must' for smooth operations



and lesser wear and tear, is categorically ignored.

The operating cost per km. schedule given in Table 3, reflects the nature of expenditures incurred on the maintenance and operations of a vehicle. Here current prices and rates of payment have been incorporated.

TABLE 3 OPERATIONAL COST/KM OF A MINIBUS (1982)

<i>Items</i>	<i>Amount (in Rs.)</i>
1. High speed diesel (@ 6 km/lit)	0.50
2. Engine oil	0.02
3. Tyre (front)	0.16
4. „ (rear) x 2	0.20
5. Engine overhauling	0.09
6. Service and maintenance	0.15
7. Wage bill	1.00
8. Overheads (garaging, cleaning, etc.)	0.14
9. Taxes	0.10
10. Insurance payment	0.03
11. Bank loans and interest payment (Av)	1.09
12. Misc. (bonus, breakdowns, etc.)	0.25
<b>TOTAL</b>	<b>3.73</b>

#### A COMPARATIVE COST-RETURN ANALYSIS

The sources of revenue earnings for the MB are its daily fare collection, earning from part-time chartered services and occasional earnings from unchartered non-route trips. While the former is the major source of income, the latter often conducted illegally or without prior notice to the authorities. Being 'personalised' contract carriages, they are often seen carrying passengers of entirely different routes while on their way to the garage. This practice is often done from under the nose of the law and in full knowledge and cooperation of the boarding passengers. There are, however, occasions and specified regulations to satisfy, set up by the RTA when MB can be used as contract vehicles. For our analysis we have considered the regular route earnings to be the chief source of revenue earnings.

The analysis is mainly based on primary information. For wages and running expenses, a wide cross section of operators (195), both running and non-running, have been interviewed. Vehicle makes initially chosen were Hindustan, Premier and Tata. Since there is marginal difference in the operational parameters and revenue structure of the first two makes, we have finally settled for the more popular ones, namely, Hindustan and Tata.

Other details pertaining to fixed costs, such as licence fees, taxes, insurance charges, interest figures, etc., have been obtained from the respective authorities. The purpose of our analysis is manifold:

- (a) whether the MB operates on a cost-prohibitive basis, justifying overloading conditions?
- (b) whether the revenue earned is sufficient to cover up the cost?
- (c) whether the profit earned by the operators justifies timely payment of loans?
- (d) whether the claim by the operators for a fare-rise and/or subsidised input charges is justified?
- (e) which of the 2 popular makes operate on a more economically viable basis?

TABLE 4 TOTAL ANNUAL COST STRUCTURE OF A 3-TON MB  
(at 1982 Prices)

Nature of Cost : Category	Fixed Type	Vehicle Make/Amount in Rs.	
		Hindustan	Tata
Licence	1. Registration fee	17.00	17.00
	2. Bengal motor vehicles tax	1580.00	1580.00
	3. Government permit	30.00	30.00
	4. Trade licence payable to corpn.	N.A.	N.A.
	5. Certificate of fitness	30.00	30.00
	6. Professional tax	150.00	150.00
Insurance	7. Comprehensive insurance fee	1800.00	1800.00
	8. Depreciation	35340.00	45410.00
Wage/Bonus	9. Driver	18000.00	18000.00
	10. Conductor	10800.00	10800.00
	11. Cleaner	7200.00	7200.00
	12. Comprehensive puja bonus	1375.00	1375.00
	13. Starter and syndicate	2160.00	2160.00
Establishment	14. Garage rent	960.00	960.00
Loan	15. Interest on borrowing	18600.00	23900.00
Repayment	16. Repayment on principal	37200.00	47800.00
<b>Total Fixed Cost</b>			
Nature of Cost : Variable	1. Diesel	39130.00	39130.00
	2. Oil and other lubricants	3600.00	3600.00
	3. Top up charges	900.00	900.00
	4. Tyres	9984.00	9984.00
	5. Battery	1450.00	1450.00
	6. Spare parts and running repairs	8500.00	2500.00
	7. Body repair and painting	4000.00	2500.00
	8. Major repair	5000.00	—
	9. Miscellaneous	2500.00	1000.00
	<b>Total Variable Cost</b>	75064.00	61064.00
<b>Total Operating Cost</b>		210306.00	222276.00

Contrary to the operators' versions, the average daily earning from a Hindustan/Tata MB has been observed to be in the range of Rs. 750 to 800. The Tata vehicle with a larger wheel base and hence a greater overhang carries a greater payload and, therefore, its earnings are on the higher side. For our analysis we have thus attributed to more modest earnings figure to the Hindustan operator.

The average annual yield from on-route revenue earning for :

Hindustan : Rs. 2,34,000 (approx.)

Tata : Rs. 2,49,000 (approx.)

From Table 4, the annual average revenue-expenditure gap calculated for the 2 respective makes stands at:

Hindustan : Rs. 23,694 (approx.)

Tata : Rs. 27,324 (approx.)

To the entrepreneurs these figures represent the annual net return on an investment worth Rs. 200,000 approx. However, these figures seldom reflect the operators' actual profits which under ideal conditions should have been identical to the net returns. The following explanations could be offered:

(a) Since fixed costs remain uniform for any level of output, the operators have sought out the major flexible components which could lower the cost level. Items 15 and 16 under 'Fixed Costs' are the usual scapegoats and a substantial deficit of nearly Rs. 32,000 p.a. could be made to occur in terms of loan repayment. Since the majority of the operators are defaulters on this account, the banks' experiences in this regard could be far from happy. What further piques the financiers is the unwilling attitude of the owners of vehicles known to be operating successfully and treating the daily returns as some form of pocket money. It is not an uncommon sight, complain the bankers, to see MB owners supposedly running in the red, gallivanting around the affluent commercial quarters of the city after dusk.

(b) Figures quoted by operators, pertaining to items 6 to 9 under 'variable costs', could be exaggerated, manipulated and misrepresented. While a handful of the operators interviewed could produce genuine bills of purchase and services availed of, the banks complain that they have been denied access to such evidence on one pretext or the other. This is not a new occurrence. Even during the initial years, it was observed that a certain slackness towards payment of instalment money was beginning to surface within 6 months of receiving loans. At this stage, borrowers relied heavily on hired

drivers and conductors who had elementary technical knowledge concerning the vehicle. As a result, owners were often misled deliberately on purchases which were never recurred. However, it was observed that owners of Tata Vehicles, which entered the market in 1974 were more comfortable *vis-a-vis* repayment of loans mainly due to the lesser wear and tear of their vehicles.

(c) Owners often complain that ever since the appointment and wages of the running operators have been trade-union-controlled, gross daily returns have started diminishing at a startling rate. While there is not enough evidence to show that owners are actually living from hand to mouth, nevertheless a steady siphoning of funds through surreptitious means by the running operators have been observed during the course of our investigation. Any action taken by the owners was swiftly retaliated by the politically affiliated trade unions. At times the retaliative measures were so drastic that the owners were forced to agree to the operators' terms to prevent their vehicles from remaining idle. However, since trade-union activities are not uniform on all routes, this is a partial explanation offered by the owners to cover up for their non-payment of dues.

From the above explanations and the respective return figures it is evident that:

- (a) the existing and actual revenue earnings are sufficient to cover up the operating cost of the vehicle;
- (b) if the depreciation amounts are equated with cash generation, the owner can, even under ideal conditions, refinance his future fleet with little or no loan assistance; and
- (c) profits earned by the operators positively justify the timely payment of dues. The only other factor required is honesty.

In Table 3, the cost of running a MB over a distance of 1 km is revealed to be Rs. 3.73. For a 27 seater vehicle, the revenue earned for an identical distance at the rate of Re. 0.13/km is Rs. 3.51, showing a clear deficit of Re. 0.22/km. This deficit is obviously made up when:

- 1. there are greater number of in-transit passengers;
- 2. within the 5 km. limit, *i.e.*, within the Re. 0.65 fare zone, a uniformly greater number of passengers board the vehicle;
- 3. for the total journey length, the seats remain fully occupied with in-transit passengers rather than origin-destination travellers; and
- 4. the vehicle carries more than its specified capacity which is automatically greater than the number of seats permit.

Since conditions (1) and (2) above are not the rule and (3) could occur at peak/semi-peak hours, (4) would seem to be the ideal condition for greater than break-even revenue earnings. Here statistics seem to be in agreement with operators' arguments for adhering to condition (4) or alternatively calling for a fare-hike/relaxation of payload restrictions. The gross annual revenue earnings calculated earlier are also based on an increased payload which is nearly double that of the permissible capacity. One would expect that a greater revenue flow to operators would make them prone to clearing their dues, but the increasing number of defaulters does not bear evidence. Hence the credit restriction applied on future borrowers and the clamour by the SLBC for greater vigilance of credit grants.

The final objective of this analysis requires a comparative study of the cost structure of the different makes of MB plying in the city today. For the benefit of other physical/financial analysis, we may point out that the 'age composition' of the vehicles under study for this particular evaluative exercises was chosen to be approximately identical. It helps to remove any unjustified bias.

In the 'fixed cost' sanction of Table 4, except for the depreciation and loan repayment items, all other amounts are identical for both makes. Since these factors depend on the price of the vehicle, it is the 'variable cost' structure that provides the clue to the economic viability comparison between the makes. Items 6 to 9 are positively less for the Tata vehicle which shows at the rate of Rs. 14,000 annual reduction in the total running costs of such a make. Again, gross revenue earned for Tata vehicle and the total revenue expenditure gap for such a vehicle being greater than its counterpart, it would not be incorrect to deduce that Tata vehicles are more economically viable and show better performance in the long run. The evidence is additionally borne out by operators of Tata MB who have a definite edge over Hindustan operators *vis-a-vis* loan repayment.

Judging from the extremely weak response of the MB operators towards loan repayment, it would not be prejudicial to voice the financier's demands of adoption of stringent measures for permit grants and the mandatory supervision of the vehicles by their owners. In conclusion it would, therefore, be said that once the loopholes of revenue drainage are effectively plugged through more control on the part of the authorities and greater restraint on the owners' behalf, there is every possibility of the financiers getting back their own returns on their investments.

## MANAGEMENT AND CONTROL

### *Ownership Pattern*

The owner of a MB must possess the minimum eligibility criteria in order to avail of the facilities provided by the Additional Employment Programme. The incumbent should possess a minimum educational standard (school final/higher secondary, etc.) and that he be unemployed. A letter to this effect has to be produced before the authorities, duly signed by a gazetted officer.

During the nascent years of 1972-73, most of the permit holders had some sort of political background. A majority of these were hardcore loyalists to the then local government. The level of intellect was seldom high and the first lot of vehicle owners were less law-abiding than their subsequent descendants. As the economics of operation became increasingly viable a better class of ownership evolved. By 1978, there were positive improvements in their standards of ethics and education although for some inexplicable reason each subsequent local government preferred to allot permits to their respective loyalists on a priority basis. Unemployment being on the rise, people with higher educational qualifications having better social backgrounds eventually joined the ranks of owners. Thus the traditional phase in ownership pattern gathered momentum.

However, the basic ownership pattern in this trade remained largely of middle class origin. Almost all of them were sons of the soil. Since this was a new venture, the transport tycoons of the city, who were mostly non-Bengalis, were not very sure of the economic viability of this enterprise. Investments, therefore, flowed entirely from banks with a percentage from the government. With the government often requesting the banks to fill in the owner's margin too, most vehicle owners did not have to pay a single paisa towards this venture. With a golden goose in their hands and a belief that the vehicle was a present from the government for their past and continuing loyalties the initial owners lost no time in bleeding the enterprise dry.

We are of the opinion that had the government been sterner regarding margin money payment and more vigilance shown by the financiers towards loan repayment, the 'default' situation would not have precipitated to the present level. The owner's lack of involvement other than in revenue extortion, stemmed from a lack of financial participation in a multi-rupee enterprise. Of course, silver linings were not totally absent. Our investigation also revealed owners who were diligently working towards removal of the 'hypothecation' tag and seriously thinking of their own future.

Till 1978, all permit holders were male. After the next lot of offer letters were issued, a few women had applied for permits. Many

subsequently became owners and by May 1981 when new routes were announced, a larger number applied for permits. Their eagerness increased as subsequent invitations for 350 permits were announced in May 1982. Another spate of invitations for 250 offer letters followed in August 1982 and among the 100,000 total applicants, nearly 10 per cent were women. Though a positive step against the social taboo imposed on middle-class women joining a 'rough' trade like transport, it has come to our notice that many of these applicants are housewives or relatives of people somehow connected with the trade who are out for a spot of extra remuneration. Financiers claim that women owners are more serious about the trade and more punctual in their loan repayments. It would of course be more welcome from the social as well as financial point of view if women joined the trade as independent entrepreneurs rather than opportunists.

Of late a certain form of latent ownership pattern has been disclosed. It involves an indirect form of transfer of the vehicle to other persons without the consent of the authorities. Our investigation reveals that nearly 25 per cent to 30 per cent of the vehicles plying in the city today are operating under such conditions.

### *Operators*

The term 'operator' in our analysis has been rather loosely used, sometimes to refer to 'owners'. This, of course, follows the financiers' nomenclature since in 80 per cent of the cases banks are still the legal owners of the vehicles. In this section, as in some of the previous sections under 'finance', we shall make a slight alteration. Permit owners will henceforth be termed as 'owners' and the term 'operator' shall refer to the 'running' staff or operating personnel on board the moving vehicle.

There are 3 categories of operators : the driver, the conductor and the helper/cleaner. The last name is usually aboard the vehicle and hence very much a part of the running staff. As opposed to the owners, the operators hail usually from a relatively lower strata of existing society in terms of educational background, financial capability and refinement.

Under the terms and conditions of the Additional Employment Programme the owner is required to be personally involved in the running operations of his vehicle. Facts reveal otherwise. In the initial stages only a few owners took personal charge of their vehicles, either in the capacity of drivers or conductors leaving the majority of the numbers under the responsibility of hired personnel. This attitude of neglect and proprietorial indulgence slowly created a professional gap between the owners and direct operators. The rift widened when the operators found that the owners were neither

interested in their vehicles nor in their employees; their sole interest lay in extracting maximum returns on an investment in which their involvement was negligible. Just as inefficiency breeds corruption, the operators seized this opportunity to indulge in malpractices of their own which resulted in a decline in the revenue returns.

When challenged by the owners, the operators took up a joint stand under the banner of trade union activities. Rather than let the golden goose fly away, the owners succumbed to the pressure of the trade unionists. But instead of becoming more vigilant about the operational loopholes which had to cash degeneration, the owners entered into an unholy alliance with the operators with the common purpose of milking the investment dry. Banks mourn, being at the receiving end of this conspiracy since the owners now have a ready excuse for non-payment of loans by blaming the operators for the decline in revenue receipts. While banks previously had one defalcator to deal with, they were now faced with a league of defalcators.

### *Wages*

As is the practice in other mass transit modes of the unorganised sector, the wages are disbursed on a slab and commission basis. Each operator is paid daily and according to his responsibility on board. The wage break-up may be shown as follows:

Driver	: Rs. 35/day + 8% commission on sales above Rs. 320
Conductor	: Rs. 17/day + 5% commission on sales above Rs. 320
Cleaner	: Rs. 13/day + 4% commission on sales above Rs. 320

On an average day, a driver earns Rs. 50, the conductor Rs. 30 and the cleaner Rs. 20.

In addition to these operators there is a time keeper or 'starter' on every route who is employed by the owners on the respective routes. Sometimes more than one individual is employed, depending on the route length and frequency of vehicles plying. There is no uniform wage rate for these individuals and each owner pays according to his own discretion. In most routes, the starters work on a "no work no pay" basis but in some routes Sundays and other holidays are also considered as working days although no actual work is done by them. On an average day, a starter usually earns between Rs. 15 and Rs. 20 but his job is not on a permanent basis. Recently, the starters have appealed to the court of law for rationalisation of wage and greater job security.

Besides their daily wages, the running operators also receive a bonus amount during the local festival season. It is called the 'puja bonus' and a lumpsum ranging between Rs. 1,300 and Rs. 1,500 is distributed amongst the driver, conductor and cleaner, with the



driver getting the lion's share. Usually a lot of tension prevails during the period immediately preceding the allocation of bonus but it has been observed that for the past few years operators are getting a better deal out of the negotiations.

## TRADE UNIONS AND OTHER ASSOCIATIONS

### *Trade Unions*

Trade unions and associations are formed basically to strengthen and expedite the process of collective bargaining. Trade union activities in MB are relatively new and concentrated mostly at the operator's levels. During the early operational stages almost all matters of employment and settlement of disputes were exclusively the owner's prerogative. It was only when the system of effecting control over the daily operations became inefficient due to the lackadaisical treatment to staff and vehicle meted out by the owners, that a growing collectivisation among the operators for the sake of safeguarding their own interests was noticed.

By 1976-77 this movement had gained considerable momentum and owners were beginning to repent on their earlier lapses. Political scroungers, opportunists and professional trade unionists soon jumped into the band wagon and have turned on in-house affair into a political movement which apart from breeding further corruption has helped these professional activists to play up to their own vested interests. As generally happens in such cases, minor disputes which could be settled bilaterally in a normal atmosphere is given unwarranted political leverage and blown out of proportions.

Who are the sufferers ? The public is put to immeasurable hardships and the financiers remain mute spectators while the possibilities of retrieving the loans slowly fade away. Meanwhile the vehicles gather rust, the genuinely aggrieved operators remain tormented and idle and the owners are at their wit's end trying to solve the crisis. Who gains ? The political interferers masquerading as messiahs of fraternity and justice, who in reality vitiate the atmosphere and push it towards breaking point.

While it is not an offence to instil professional consciousness amongst workers and educate them on their rights, it is condemnable to instigate the bass passions of the human mind and divert these to unwanted acts of sabotage, violence and non-cooperation. Many a time, in the process, the real issue had slipped away from the agitator's mind and grasp.

With such a history of trade union activities, it was not strange that owners' and operators' Associations built up for the express purpose of supervising trips, shifts, frequencies of operation, route

halts, etc., and negotiating wages, duty hours and other terms and conditions of employment, soon adopted a belligerent attitude towards each other.

While the operators alleged that the owners had really never paid any attention to their condition and just demands, the owners maintained that the operators had never fully cooperated with them in the daily operations and maintenance of their vehicles. In these troubled waters professional trade unionists, sometimes with no connections with the trade, came to fish and expensively offered bait in the form of political patronage to whoever was more gullible—usually the economically unsound operators. Thus came the evolution of the politically backed MB operators' unions and an apolitical cause was transformed into a politically propelled one.

### *Owners' Associations*

There is no universally recognised central body or union monitoring the activities of the MB owners. Each area, preferably the focal point of a route origin is selected as the operational headquarters. Thus, there are various bodies like the Jadavpur MB owners' association, Tollygunge MB owners' association, Santoshpur MB owners' association, Thakurpukur MB owners' association, etc., operating in different area tranjectories of the South and identical ones operating from the other directions. The MB owners plying their vehicles to and from Howrah are better organised, having learnt their lessons from earlier experiences.

Then there is the MB operators coordination committee with a centralised body structure and claiming to be the official mouthpiece of most routes under operation. There is also a North Calcutta MB Owners' Association which started functioning in the year 1978. Each of these associations works under the directives of honorary office bearers who are also vehicle owners. Identical to the Bengal Bus Syndicate in structure but operating on a smaller scale, the co-ordination committee partakes in discussions, meetings and negotiations with the operators, authorities, financiers and the government. However, with the entry of politics into its operational and decision making functions, many local associations are not affiliated to this committee and most disputes are settled either locally or with the intervention of politicians, MLAs, MPs., etc.

### *Operators' Associations*

Unlike the owners, the operators function more collectively. Experience has taught them that they are indispensable to the owners as long as the owner has his cup full. Coming from weaker sections of

society they neither possess extra skills or qualifications nor do they have enough reserves to fall idle upon. Politicians taking advantage of their plight have often manipulated their interests and deserted them in the midst of a fracas. Yet for good or bad they have collectively decided to seek the shelter of political patronage.

The Calcutta MB Workers Union is currently the major association of Minibus operators. It is affiliated to the Centre of Indian Trade Unions (CITU) and operates from local branches. Barring a few routes, almost all operators are associated with this union. In recent years, it has functioned quite successfully in respect of the settlement of wage disputes, negotiating duty hours, etc., but especially with regard to the bonus issue.

### *Review*

Not all negotiations have been peacefully enacted. Realising the potential power of collectivisation, these associations have often malfunctioned. While the owners continue to behave erratically and often irrationally, the operators have often taken undue advantage not only in matters concerning their own interests, but with regard to passenger service as well.

Under the pretext of settling scores with the owners, a number of dishonest practices with a view to short checking the passengers and the owners have been revealed in course of our investigation :

- (a) The general approach to passengers is rude and non-cooperative giving the idea that commuters are to be treated like any other payload for maximum profits.
- (b) Illegally entering into a contract with some passengers, usually on monthly terms, whereby the passenger hands over a negotiated sum of money which is not disclosed to the owners since no tickets are issued on its behalf. This deal is usually struck with origin destination travellers, mostly office goers who also save a considerable amount in the process. If the number of such deals is large, the operators stand to gain the more.
- (c) The habit of picking up used tickets on the sly thrown by hurrying passengers, is not uncommon. These are often issued as fresh tickets and unless passenger protest is registered, such acts largely go unnoticed.
- (d) During peak hours and under overloading conditions, tickets are quite often not issued at all since the passenger is either inaccessible and careless, or in a hurry to depart. The numbers of tickets unsold are not entered in the conductor's 'waybill' and the owners remain ignorant of the actual sales.

Gradually, the politically backed operators' union have assumed greater bargaining power and cases of misuse of such power are also evident. Among others, the operators' unions now control the terms of employment and owners complain that they have absolutely no say in such decisions, such as whom to employ and under what job specifications. Owners feel that politicisation of this issue has taken it beyond their control and while the owner is not allowed either to drive or conduct the vehicle any longer, very often his presence in the bus during duty hours provokes acute resentment from the operators. The union fixes up the personnel who usually operate in turns on different vehicles on the same route. The operators claim that since no appointment letters for jobs performed are issued to them, they are free to operate as they like so long as the vehicle in which they were originally employed is on the job. Often passengers are charged full ticket fares on dead kilometer runs and the money is distributed amongst the operators. These orthodox and illegal practices had reached such alarming proportions that owners really felt shaky in encountering their employees. Once again the financiers are at the receiving end of this dual since returns on investments are proportional to the performance of the rolling stock.

After much consideration, the banks have been forced to retaliate and employ whatever effective counter measures they would summon, namely :

- (a) the filing of legal law suits against defaulters; and
- (b) the restriction of available credit to owners subject to the condition that possessors of vehicles must remain employed in whole time operations of their respective charges, either driving or managing personally.

In other words, trade union activities in MB operations have taken an unhealthy trade. It is feared that very soon it might become a non-viable service for the owners and thus frustrate the very essence of the Additional Employment Programme.

#### ADMINISTRATION

The RTA is the sole permit issuing authority. Routes are announced by the RTA and applications for permits invited. On fulfilment of the selection criteria, permits are issued. Under the public vehicle rules, the MB is classified as a medium motor vehicle. The appropriate driving licence of a MB is a heavy/medium duty licence with public service vehicle (PSV) enforcement, as required by a notification dated February 10, 1978. In 1981-82 some additional criteria were

suggested by the financiers for selection of owners, which were, however, subject to the RTA's approval. The main clauses suggested were:

- (a) driving licence holders ought to be preferred;
- (b) authorisation to drive a public service vehicle was required, where it was necessary for the aspirant to have a professional driving licence for operating such vehicles; and
- (c) the owner should possess the financial capability to purchase a vehicle.

Once the permit has been issued and the vehicle is on the road, the RTA is authorised to inspect the vehicle for fulfilment of the specified conditions and necessary tests, and only then can a certificate of fitness (CF) be issued to the owner. The Public Vehicles Department (PVD) and the Calcutta Corporation are authorised to collect further taxes on behalf of the state. The taxes imposed by the former are the Bengal Motor Vehicles Tax and the Professional Tax while the Trade Licence required to ply the vehicle within the corporation area falls under the jurisdiction of the latter. Once the vehicle is on the road, it is the responsibility of the owner to pay his taxes, including the road tax, on time and also see to the timely renewal of the permits and registration.

A detailed list of official procedures has been included under the subsequent section "SUMMARY OF OBSERVATIONS" where further administrative details have been categorically furnished.

#### TRAFFIC MANAGEMENT AND CONTROL

Minibuses have earned a very bad name for themselves as far as traffic management is concerned. Due to their unethical approach to traffic laws and utter disregard of traffic rules, this vehicle has often been called the 'motorist's horror' or the 'pedestrian's nightmare'. They have become synonymous with rash driving, illegal manoeuvres on crowded streets, high speed travel and a general pattern of movement which does not conform to any city traffic regulation.

It is, however, satisfying to note that over the years such tendencies are diminishing and although there are a few incidents of blatant traffic rule violations, the general number is on the decline both with respect to minor violations and regular accidents. Except for a bad patch in the year 1979, Calcutta Police statistics reveal that MB are gradually becoming tamed and are no longer the Dracula-on-wheels as imagined. It may also be of interest to note that comparatively, regular stage carriages (private buses) are greater offenders of traffic

rules than the MB, though over the years such records are diminishing on both counts.

Table 5 illustrates the traffic violation figures with respect to this mode, as recorded over the last 5 years.

TABLE 5 MINOR TRAFFIC VIOLATION CASES INSTITUTED FOR MINIBUS IN CALCUTTA

Year	1977	1978	1979	1980	1981
Cases	13,691	15,264	19,010	11,425	9,258

SOURCE : Statistical Section CTP, Lalbazar, Calcutta.

In Table 6 we have recorded the traffic accident figures for MB with an itemwise (type of accident) break up for the corresponding period. Alongside is given the figures for the total number of traffic accident cases instituted in that period, with regard to all types of vehicles as recorded under the Calcutta Traffic Police (CTP) Statistics.

TABLE 6 TRAFFIC ACCIDENT CASES INSTITUTED FOR MB AND ALL TYPES OF MOTOR VEHICLES

Year	Registered No. of MB in Calcutta	Type of accident for MB			Total accidents for MB	Total for all types of vehicles	Percentage of total cases recorded against MB to the total cases against all types of vehicles
		Death	Injury	Collision			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1977	507	8	106	275	389	10611	3.66
1978	507	12	101	233	346	10369	3.34
1979	512	10	168	260	438	9970	4.39
1980	512	12	82	183	277	9158	3.02
1981	565	15	112	136	163	8268	1.97

NOTE : The figures in col. (2) corresponding to 1981 is exclusive of the 80 additional vehicles released on 10 new routes.

Integrating the information in Tables 5 and 6 it is observed that whereas in 1977 a single MB was involved in at least 27 cases of traffic violation, by 1981 the number had declined to 16. Though not a praiseworthy figure for any individual mode it may be comparable to accident figures in other cities of the world with such high densities of population, where death and injury rates are higher. The decline itself speaks commendably of the increasing astuteness of road performance of this mode in the prevailing chaotic traffic environment of Calcutta. The performance is even more commendable when compared with the 1979 figure of 37 cases of infringement to a single vehicle. Further conclusive proof may be drawn from the percentage figures indicated in col. (8) of Table 6. Here, along with the gradual fall in the number of accident cases involving all vehicles (col. 7), the comparative percentage of accident cases by the MB has sharply fallen.

The traffic authorities are, however, way of their own statistics though they grudgingly admit the increasingly better show put up by the MB and add that with better traffic management their performance could be even better. In conclusion, it may be said that the gradual importance of the MB in terms of mass transportation would eventually lead to an increase in the number of vehicles and hence the necessity for sterner traffic controlling measures. With effective measures of traffic management being undertaken by the police and other city development authorities, MB, like other modes, would gradually be able to wipe out the stigma surrounding its name and serve the citizens with the safety and effectiveness of service so drastically required.

#### SUMMARY OF OBSERVATIONS

This section consists of :

1. A condensed list of formalities to be maintained in the process of acquiring a MB.
2. A brief outline of general observations.

#### *Formalities vis-a-vis Vehicle Procurement*

Information incorporated in this section includes the names of the respective agencies/authorities involved in the administrative/financial functions between the initial and final stages of vehicle procurement, i.e., till the vehicle starts operating. Also included are informations relating to costs involved and the approximate time period required for each step to mature. In certain cases some additional information aimed at expediting the procurement process has been supplied.

PROCEDURE TO BE FOLLOWED FOR THE PROCUREMENT OF A MB

Step	Procedure	Agency involved	Money involved	Time involved	Additional information
1.	Announcement of routes	HTD			
2.	Invitation to prospective owners for suggestions, further information and objections regarding the opening of aforesaid routes	HTD		Between steps 1-6 a minimum of 90 to 120 days.	
3.	Hearing given to objections	RTA			
4.	Final notification of the routes and number of permits issued announced.	RTA			
5.	Application forms against route permits issued	RTA	Rs. 10		
6.	Vehicle booking in anticipation of permit	Chassis	Rs. 501 (M)		Chassis prices quoted under section 5.1.
7.	Applicants called for interview	RTA			Selection criteria quoted under section 3.
8.	Permit granted after selection and valid up to 5 years	RTA	Rs. 150	60 days allotted	Permit is cancelled if candidate fails to secure it within time.
9.	Approach financiers for loan money	Bank		30 days	
10.	Delivery of Chassis on receipt of pay order from bank	Chassis dealer	(Cost of chassis) minus (booking)	Depending on availability or priority.	
11.	Chassis sent for body construction.	Body builder	Cost of Body Type	60 days	A repayment holiday for this period is granted by bank.
12.	Completed vehicle taken for CF test which is valid for 2 years	RTA	Rs. 60		Responsibility to pass CF test rests with body builder.
13.	Registration of vehicle	PVD	Rs. 85		
14.	Registered vehicle to ply on route				

NOTE : RTA = Regional Transport Authority.

HTD = Home Transport Department, Government of West Bengal.

H = Hindustan.

T = Tata.



### *General Observations*

Certain broad observations based on our study have been listed below :

1. Over the years, the MB has become a vital mode of intra-city passenger transportation. With increasing demand for its services it is now more of a mass transportation unit than a para transit mode, as had been envisaged during its inception.
2. With its increased payload capacity, the MB has proved to be a highly remunerative source of investment.
3. Subject to overloading conditions it is beyond the comprehension of users why a higher fare structure should be applicable to this mode for identical passenger comfort facilities offered by the non-personalised mass transportation units.
4. No vehicle manufacturer in India has designed either a chassis or an engine uniquely appropriate for Minibus and standards of quality control are not appreciably reflected in the escalating maintenance costs.
5. Once the completed vehicle is operative on a route, there is virtually no maintenance activity undertaken by the profit hungry owners who do not even bother to avail of certain free check up, servicing or maintenance facilities offered by the manufacturers or other agencies.
6. The increasing cost of operation and maintenance has rendered the MB as an unremunerative enterprise if the specified seating capacity criterion is enforced.
7. The number of defaulters on loan repayment are as high as 80 per cent unless banks adopt punitive measures; this number cannot be brought to task. Whenever the question of loan repayment arises, owners are only too eager to show themselves in the red. Now when banks have declared such loan advances as losses due to negative returns, the owners are only too willing to exhibit themselves as entrepreneurs operating under profitable circumstances. This is of course for the benefit of availing of the refinance facilities and acting as examples for future entrepreneurs to follow.
8. If certain malpractices of both owners and operators are effectively brought under control, a better form of relationship would exist between them and the financiers.
9. Trade Union activities in this trade have proved to be harmful in the broader interests of the total system consisting of effective passenger transportation services and the possibilities of expansion of individual enterprises.
10. Cases of traffic rule violation and accidents involving MB are on the decline. It reflects a gradual acclimatisation of the operators

to the traffic environment of the city. The basic causes for such violations are lack of proper training and mechanical operators' contempt and disregard for traffic laws and regulations and utter ignorance of their role as PSV operators.

### *Suggestions*

Some relevant suggestions included have run concurrently with the text. Some additional suggestions offered on the basis of our analysis are:

1. The process of vehicle procurement involves the RTA on too many counts. It puts excessive pressure on the existing few departments and personnel concerned who ultimately seek repose through bribes and other corrupt practices. If some of the time consuming procedures could be simplified, certain other functions integrated and the workload distributed horizontally, the task could be tackled more easily and effectively.

2. Overcrowding beyond a certain limit should not be allowed at any cost if it cannot be stopped totally. With 29 sitting passengers the revenue breaks even with cost of running the vehicle on a unit km. length. Allowing for escalating variable costs and sufficient cash generation for future refinancing, the sitting payload could be definitely specified with an additional tolerance margin. The authorities should, however, be aware of the seating capacities of regular stage coaches and 'special' buses with different fare schedules, before fixing up the sitting payload number for the MB. According to our estimates, an additional 9 passengers could be suitably accommodated within the manufacturer's safety and tolerance margin and without causing discomfort to the passengers. This, of course, is subject to the repealing of the 'standing' practice so openly courted by the operators with approval from the authorities.

3. New engine and vehicle designs must emerge to be rigidly followed by chassis and body manufacturers, keeping in view the payload capacity, passenger/operator safety and comfort and the ubiquitous energy crisis. Special attention on proper ventilation and anthropometry of vehicle interiors under normal and peak load conditions must be paid. Vehicles which have not yet raised the height of their ceilings to 6 ft. should be prohibited from carrying standing passengers till the matter is rectified.

4. Periodic inspection of the stability factor of the vehicle under simulated conditions of peak loading should be made a compulsory criterion before a vehicle is declared road worthy. It should be as much the RTA's responsibility as that of body and chassis designers.

5. Since law suits are a time and money consuming process, a high powered committee/tribunal consisting of members from the financiers, insurance agencies, permit issuing authorities, legal repre-

sentatives of the government and representatives of the public should be immediately set up under the existing legal and constitutional framework to deal effectively and sternly with defaulters. This super committee could set up task forces and other monitoring cells to coerce and advise the defaulters to pay back their loans on time and to discourage any future occurrences.

6. Trade Union activities in this vocation should be limited to those directly connected and not extended to professional activists and politically backed/motivated personnel. Where bilateral negotiations fail, unsettled disputes could be referred to the high-powered committee which would also ensure the non-exclusion of public interest from a public good. It is our firm belief that active public participation in such matters is an essential concomitant of social welfare.

7. Proper training facilities and refresher courses on both practical and theoretical knowledge of traffic rules and regulations, traffic management, basic vehicle design and maintenance, factors affecting safety conditions of vehicles, proper customer service, basic cash management and a general awareness of their responsibilities as PSV operators should exist and be continued from time to time. Although it is the direct responsibility of the government to see to the safety and welfare of its citizens, such training centres and refresher courses could be organised/sponsored by welfare associations, owners'/operators' associations, clubs and social institutions, public and private organisations, academic institutions, etc. The possession of superior knowledge/equipment places a person in a more advantageous position which normally produces higher levels of efficiency.

#### CONCLUSION

While concluding, we would like to remind the planners of public welfare commodities of the increasing benefits of an integrated planning system rather than the tackling of a particular problem in isolation. The typical attitude of our city planners so far has been to let a certain problem precipitate to the level of assuming crisis proportions and then to gear up whatever resources that could be mustered for an early solution. Not only is the project doomed to fail but it also involves the wasteful utilisation of scarce resources and ultimately suffers from negative feedback effects.

The Minibus has come to stay in this city in dire need of a fast transportation system. Its problems are the city's problems and cannot be cursorily treated. *Ad hoc* decisions and plans can never offer any lasting solution and neither can the implementation of such systems be the order of the day. Sooner or later realisation must prevail. The later it is the more cost prohibitive a deal it becomes. One would only expect the planners and citizens of Calcutta to wake up to an early dawn. □

## Appendix

ROUTE DESCRIPTION AND DIRECTIONAL FLOWS FOR  
MB IN CALCUTTA

This section is divided into 2 parts. Part I shows a table of existing and some of the newly announced routes. Included in the table are information pertaining to route alignment, fleet strength and the present number of permits granted. Part II is an illustration of the various routes in Calcutta. For both parts I and II, the zonal demarcation followed is a reflection of the linear pattern of city development which is represented duly by the north and south bound route numbers.

*Part I*ROUTE DESCRIPTION AND POSITION OF MB PERMITS  
IN CALCUTTA (DECEMBER 1982)

<i>South Routes</i>	<i>Alignment</i>	<i>Fleet strength</i>	<i>Actual No. of vehicles</i>
101	Garia to BBD Bag	16	16
102	Bagha Jatin to BBD Bag	15	13
103	Jadavpur Univerity to BBD Bag	17	16
104	Jodhpur Park to BBD Bag	15	15
105	Dhakuria BBD Bag	14	11
106	Santoshpur to BBD Bag	15	13
107	Gariahat to Howrah Station	14	11
108	Kashba Rathtala to BBD Bag	14	13
109	Ekdalia Park to BBD Bag	18	18
110	Beckbagan to Howrah Station	19	18
111	Lake Road to Howrah Station	15	15
112	Naktola to BBD Bag	15	15
113	Ranikuthi to BBD Bag	16	15
114	Kudghat to BBD Bag	16	15
115	Tollygunge Club to BBD Bag	16	14
116	Lake Gardens to BBD Bag	14	13
117	Tollygunge PS to Howrah Station	16	15
118	Hazra Park to Howrah Station	13	13
119	Thakurpukur to BBD Bag	19	16
120	Behala Chowrasta to BBD Bag	15	15

<i>South Routes</i>	<i>Alignment</i>	<i>Fleet strength</i>	<i>Actual No. of vehicles</i>
121	Behala/Bakultala to BBD Bag	14	13
122	New Alipore to BBD Bag <i>via</i> Burdwan Road	4	3
123	Metiabruz to Howrah Station	14	14
124	Golf Green to BBD Bag	10	3
125	Dey's Medical to BBD Bag	10	2
126	Batanagar to Band Stand	15	3
127	New Alipore to BBD Bag <i>via</i> Kidderpore	7	2
128	Kusthia Housing Estate to Band Stand	10	2
129	Parnashree to BBD Bag	10	3
130	Bijoygarh College to Howrah Fire Station	15	2
131	Joka to Band Stand	10	2
132	Budge Budge to Band Stand	20	2
133	Haridevpur to Band Stand	15	1
134	Karunamoyee to Phulbagan	15	1
135	Baishnabghata to Howrah Fire Station	20	1
136	Banerjihat to Milk Colony	15	1
137	Prince Anwar Shah Road to Nimtola	15	1
138	Jadavpur University to Airport	15	1
139	Chetla Park to Band Stand	15	1
<i>North Routes</i>			
151	Airport to BBD Bag	9	9
152	Baguihati to BBD Bag	14	14
153	Lake Town to BBD Bag	10	8
154	Dum Dum Central Jail to BBD Bag	14	14
155	Nagerbazar to BBD Bag	11	11
156	Ultadanga Housing Estate to BBD Bag	2	2
158	Dakshineswar to BBD Bag	17	17
159	Dunlop Bridge to BBD Bag	14	12
160	Sinthee More to BBD Bag	14	13
161	Dum Dum Park to Anderson House	12	11
162	Tala Park to Kidderpore	15	15
163	Shambazar Tram Depot to Howrah Station	6	3
164	Bhupen Bose Avenue to BBD Bag	10	8

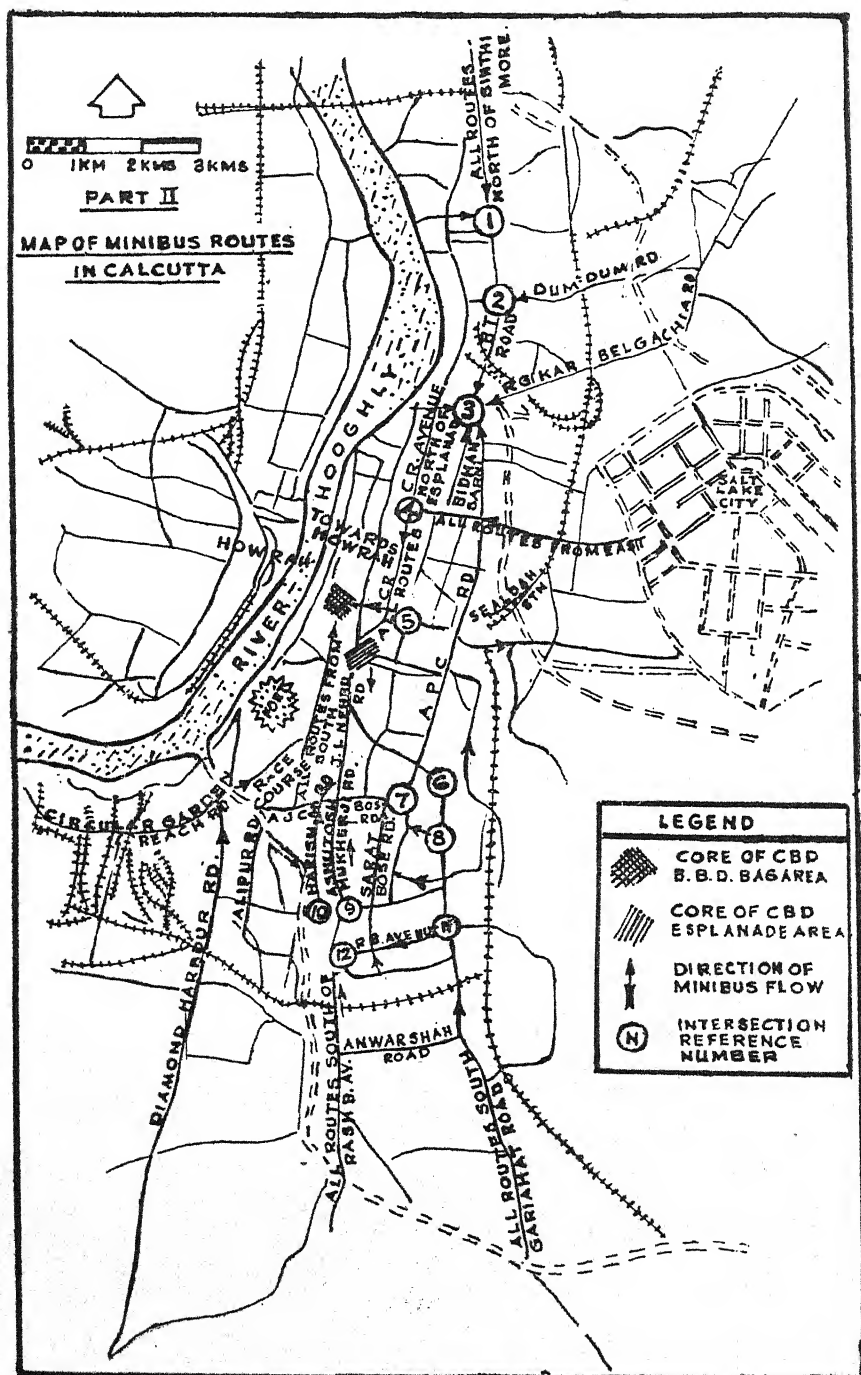
North Routes	Alignment	Fleet strength	Actual No. of vehicles
165	Narkeldanga Housing Estate to Howrah Station	5	4
166	Tangra Housing Estate to BBD Bag	2	1
167	Beliaghata CIT Bldg. to BBD Bag	6	6
168	Nagarbazar to Howrah Station	10	3
169	Salt Lake to Alipore Zoo	15	2
170	Salt Lake to Jadavpur	10	2
171	Salt Lake to Howrah Station	10	2
172	Baguihati to Howrah Fire Station	15	1
173	Beliaghata to Howrah Fire Station	10	1
174	St. Mary's School Dum Dum to Howrah Fire Station	15	
175	New Barrackpur Chowmatha to Park Circus	20	
176	Rajabazar Hackney Carriage Stand to Park Circus	10	

NOTE : Where route numbers and figures are missing, these are not available/  
disclosed by the RTA for administrative reasons.

## Part II

The map on page 54 shows the MB routes in Calcutta. The directional flows are indicated by giving intersection reference numbers.

- (1) Sinthi More—BT Road Intersection
- (2) Dum Dum Road—BT Road Intersection
- (3) Shambazar 5 point Intersection
- (4) C.R. Avenue—Vivekananda Road Intersection
- (5) Bidhan Sarani—B.B. Ganguly Street Intersection
- (6) Park Circus Intersection
- (7) Ballygunge Circular Road—A.J.C. Bose Road Intersection
- (8) Gariahat Road—Gurusaday Road Intersection
- (9) Ashutosh Mukherji Road—Hazra Road Intersection
- (10) Harish Mukherji Road—Hazra Road Intersection
- (11) Rash Behari Avenue—Gariahat Road Intersection
- (12) S.P. Mukherji Road—Rash Behari Avenue Intersection.



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# *Collection of Property Tax: A Case Study\**

BUDDHADEB GHOSH

UTTARAYAN MUNICIPALITY has an area of 17.16 sq. km. and population of 96 thousand according to 1981 census. Though the municipality is fairly old (it was established in 1870) it was a small sized municipality until the fifties. Influx of East Bengal refugees was mainly responsible for the phenomenal growth of population in the area. The population of the town rose from 12 thousand in 1951 to 38 thousand, 64 thousand and 96 thousand in 1961, 1971 and 1981 respectively. The town is residential in character with large chunks of vacant lands.

## OBJECTIVES OF THE STUDY

The objective of the present study was to look into the functioning of the collection department of the Uttarayan Municipality. Precisely, the study sought answers to the following questions:

- (i) What is the performance level of the collection department of the Municipality? Is the performance satisfactory or otherwise?
- (ii) What are the factors that can be attributed to the level of performance attained by the municipality?
- (iii) If the performance is found to be unsatisfactory, what can be done to improve performance?

In spelling out the objectives of the study, we have used such terms as 'satisfactory' or 'unsatisfactory' performance. It is necessary to clarify their meaning, so far as this study is concerned. Traditionally, collection to the extent of 85 per cent of total demand has been recognised as satisfactory level of collection performance. Recently, the state government has issued an order in terms of which the

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eligibility of the municipal bodies to the share of state grant has been linked up, *inter alia*, with the targeted growth in demand from and collection of property tax. In devising the new policy on grant structure, the state government has assumed that collection to the extent of 75 per cent of demand should be considered as satisfactory performance. So, for the purpose of this study, we shall consider collection to the extent of 75 per cent and above as satisfactory or high level of performance. Collection to the extent of 85 per cent and above will be considered as very high level of performance. On the lower side, we shall assume that collection below 50 per cent of the demand is unsatisfactory or low level of performance. If the collection goes below 40 per cent then it will be termed as a very low level of performance. The intermediate zone, *i.e.*, collection of 50 per cent and above, but below 75 per cent will be considered, for the purpose of the study, as medium level of performance. Thus, we shall classify the collection performance into three broad categories with two sub-categories for each of the two extreme categories.

Secondly, it is necessary to clarify that, for the purpose of this study, performance in respect of the collection of property tax alone was taken into consideration. Collections from other sources such as licence fees were ignored since the contribution of such sources in the revenue earnings of the municipality was found to be negligible. Again, in respect of property tax, no attempt has been made to study the base of the tax, *i.e.*, the annual rental value. Like other municipalities, the base of the property tax of this municipality is grossly undervalued and there is ample scope for raising the level of valuation, thereby increasing the demand from the property tax. But this issue has been kept outside the scope of this study. To repeat, the major focus of this study was to examine the efficiency of the municipal body in collecting whatever amount is fixed as the demand for the property tax.

#### PERFORMANCE LEVEL OF THE MUNICIPALITY

Tables 1 and 2 give the demand and collection figures for the years 1979-80 to 1981-82. Percentage of collection as against demand is shown in Table 3.

TABLE 1 PROPERTY TAX DEMAND FOR THE YEARS 1979-80 to 1981-82

	(In Rupees)		
	1979-80	1980-81	1981-82
Arrear	41,23,866	44,17,066	46,10,959
Current	16,35,692	15,37,908	14,54,284
TOTAL	57,59,558	59,54,974	60,65,243

TABLE 2 PROPERTY TAX COLLECTION FOR THE YEARS 1979-80 to 1981-82

	<i>(In Rupees)</i>		
	1979-80	1980-81	1981-82
Arrear	8,91,077	9,25,925	9,08,529
Current	2,75,415	3,18,090	3,78,041
TOTAL	11,66,492	12,44,015	12,86,570

TABLE 3 COLLECTION AS PERCENTAGE OF DEMAND

	1979-80	1980-81	1981-82
Arrear	21.61	20.96	19.70
Current	16.84	20.68	25.99
TOTAL	20.25	20.89	21.21

Figures in the above tables show convincingly that the performance of the collection department of the municipality is at a very low level. It is true that the percentage of collection—specially current collection—is improving since 1979-80. But the improvement is marginal and the best performance registered in 1981-82 is below 30 per cent of demand. Hence the conclusion that the municipality is operating at a very low level of efficiency in the matter of property tax collection becomes irresistible.

Before pronouncing final verdict on the collection performance of the municipality, it is necessary to examine the figures a little more closely. We looked into the list of the rate payers of the municipality and found that the biggest rate-payers are: (i) the communication department of the Government of India, and (ii) an autonomous authority created under a statute of the central government. Together they may be called the central authorities. There is a long standing dispute between the central authorities and the municipality over the question of holding rates/service charges payable by the former. We have given a history of the case and the problems associated therewith in a separate section.

The central authorities accounted for 39.89 per cent of current demand and 51.40 per cent of arrear demand in 1981-82 (See Tables 4 and 4A). The presence of the central authorities having only three holdings among 19832 holdings, distorts the character of collection performance in respect of 19829 holdings. Hence in order to watch more closely the level of performance, we shall exclude the central authorities and examine the performance efficiency of the municipality in respect of collection from the general rate payers.

Tables 4, 4A, 5, 5A and 6 give the picture of demand and collection

of the two broad groups of rate payers, namely, general rate payers and the central authorities:

TABLE 4 ARREAR OF PROPERTY TAX DEMAND FROM THE GENERAL RATE PAYERS AND CENTRAL AUTHORITIES FOR THE YEARS 1979-80 TO 1981-82

	1979-80		1980-81		1981-82	
	Amount Rs. in '000	Percentage of total	Amount Rs. in '000	Percentage of total	Amount Rs. in '000	Percentage of total
General rate payers	1510	36.61	1948	44.10	2241	48.60
Central authorities	2614	63.39	2469	55.90	2370	51.40
TOTAL	4124	100	4417	100	4611	100

TABLE 4A CURRENT PROPERTY TAX DEMAND FROM THE GENERAL RATE PAYERS AND CENTRAL AUTHORITIES FOR THE YEARS 1979-80 TO 1981-82

	1979-80		1980-81		1981-82	
	Amount Rs. in '000	Percentage of total	Amount Rs. in '000	Percentage of total	Amount Rs. in '000	Percentage of total
General rate payers	1056	64.55	958	62.29	874	60.11
Central authorities	580	35.45	580	37.71	580	39.89
TOTAL	1636	100	1538	100	1454	100

TABLE 5 ARREAR OF PROPERTY TAX COLLECTION FROM THE GENERAL RATE PAYERS AND CENTRAL AUTHORITIES IN THE YEARS 1979-80 TO 1981-82

	1979-80		1980-81		1981-82	
	Amount Rs. in '000	Percentage of arrear demand	Amount Rs. in '000	Percentage of arrear demand	Amount Rs. in '000	Percentage of arrear demand
General rate payers	166	10.99	246	12.63	339	15.13
Central authorities	725	27.74	679	27.50	570	24.05

TABLE 5A CURRENT PROPERTY TAX COLLECTION FROM THE GENERAL RATE PAYERS AND CENTRAL AUTHORITIES IN THE YEARS 1979-80 TO 1981-82

	1979-80		1980-81		1981-82	
	Amount Rs. in '000	Percentage of current demand	Amount Rs. in '000	Percentage of current demand	Amount Rs. in '000	Percentage of current demand
General rate payers	276	26.14	319	33.30	379	43.36
Central authorities	—	—	—	—	—	—

TABLE 6 TOTAL COLLECTION AS PERCENTAGE OF TOTAL DEMAND

	1979-80	1980-81	1981-82
General rate-payers	17.23	19.44	23.05
Central authorities	22.70	22.27	19.32

Leaving aside the central authorities, there remains other rate payers who accounted for 64.55 per cent, 62.29 per cent and 60.11 per cent of current demand in the year 1979-80, 1980-81 and 1981-82 respectively. The respective shares of general rate payers in arrear demand in these three years are 36.61 per cent, 44.10 per cent and 48.60 per cent.

What is the level of collection in respect of demand from these rate payers? Table 5A shows that collection as percentage of current demand from such rate payers was 26.41 per cent, 33.30 per cent, and 43.36 per cent. No doubt, the position has been improving. Yet, the best performance registered in 1981-82 (43.36 per cent) is far below the level of 75 per cent which is considered by us to be satisfactory performance. It is even below the level of 50 per cent which we have termed as 'medium' performance. When we consider the percentage of arrear collection against arrear demand, the position becomes very bleak. We notice that collection as percentage of arrear demand from the general rate payers was 10.99 per cent, 12.63 per cent and 15.13 per cent in the years 1979-80 to 1981-82 (Table 5). As a result, total collection as percentage of total demand rose marginally from 17.23 per cent in 1979-80 to only 23.05 per cent in 1981-82 (Table 6).

Thus, even if we take into consideration the problems concerning collection from the central authorities, we are led to the conclusion, on the basis of the data presented in Tables 4 to 6, that the municipality is operating at a very low level of performance.

What are the reasons behind such unsatisfactory performance? In the next section we shall try to discover them. Simultaneously, we

shall also make a modest endeavour to indicate what can be done to improve the collection performance of the municipality.

#### DISTRIBUTION PATTERN OF RATE PAYERS

We analysed firstly the pattern of distribution of rate payers (excluding the central authorities) in different rate brackets. Table 7 provides the result.

TABLE 7 DISTRIBUTION OF RATE PAYERS (EXCLUDING THE CENTRAL AUTHORITIES) IN DIFFERENT RATE-BRACKETS IN THE YEAR 1981-82

<i>Rate bracket (in yearly rate)</i>	<i>Yearly demand (in Rs.)</i>	<i>Percentage of current demand</i>	<i>No. of rate payers</i>	<i>Percentage of total no. of RP</i>	<i>Total demand (in Rs.)</i>	<i>Percentage of total demand</i>
Less than Rs. 25	96,114	11.00	12,904	65.07	5,53,870	17.78
Rs. 25-50	1,01,166	11.58	3,581	18.06	4,00,017	12.84
Rs. 51-100	1,52,231	17.41	2,055	10.36	7,02,063	22.53
Rs. 101-300	1,98,351	22.70	1,010	5.09	6,03,000	19.35
Rs. 301-500	61,772	7.07	149	0.76	2,60,400	8.36
Rs. 501-1000	58,175	6.66	86	0.44	2,53,490	8.14
Above Rs. 1000	2,06,050	23.58	44	0.22	3,42,803	11.00
<b>TOTAL</b>	<b>8,73,859</b>	<b>100.00</b>	<b>19,829</b>	<b>100.00</b>	<b>31,15,643</b>	<b>100.00</b>

Table 7 gives a revealing picture. Out of a total of 19829 rate payers (excluding the airport authorities), as many as 12904 or 65.07 per cent of the total number of rate payers, contribute only 11 per cent of total current demand. On the other hand, only 16.87 per cent of rate payers, numbering 3344 assesseees, contribute as much as 77.44 per cent of current demand. Their share in total demand (i.e. arrear plus current) is 69.38 per cent. This means that the municipality could raise its current collection from 43.36 per cent to 77.44 per cent and the arrear collection from 15.13 per cent to 69.38 per cent in 1981-82, if it could realise its full demand from only 16.87 per cent of rate payers. If we include the rate payers falling in the category of Rs. 25-50, another 18.06 per cent of rate payers, or 3581 assesseees, are added. Together, they constitute nearly 35 per cent of rate payers. Their combined contribution in current demand and total demand (i.e., arrear + current) are 89 per cent and 82.22 per cent respectively. Thus if the municipality could enforce a little over one-third of its rate payers to pay their taxes regularly, then it would have been possible for them to raise their collection efficiency to the level of 89 per cent of current demand and 82.22 per cent of the total demand. The municipality failed to accomplish even this fragment of the total job.

We also looked into the pattern of distribution of rate payers in terms of valuation ranges. The result is presented in Table 8.

TABLE 8 DISTRIBUTION OF RATE PAYERS AMONG DIFFERENT VALUATION RANGES (EXCLUDING THE CENTRAL AUTHORITIES)

Valuation range	No. of holdings	As percentage of total No. of holdings	Total qtlly. tax (in Rs.)	Total yearly tax	Average tax	
					Qtlly.	Yearly
Upto Rs. 100.00	11,851	59.76	18640.68	74562.72	1.57	6.28
Rs. 101-200	4,221	21.29	33766.38	135065.52	8.00	32.00
Rs. 201-500	4,736	13.80	49465.00	197860.00	18.08	72.32
Rs. 501-2000	879	4.43	49990.72	199962.88	56.87	227.48
Rs. 2001-10000	128	0.65	29201.58	116806.32	228.14	912.56
Rs. 10001-25000	6	0.03	6650.00	26600.00	1108.33	4433.32
Above Rs. 25000	8	0.04	30750.39	123001.56	3843.80	15375.20

Table 8 also confirms the conclusions drawn from Table 7. Nearly 60 per cent of rate-payers (59.76 per cent to be exact) are within the valuation range of Rs. 100 and their average per holding tax is only Rs. 1.57 per quarter or Rs. 6.28 per year. The salary bill of the collection staff alone (leaving aside the assessment staff and other overhead) amounted to Rs. 2,69,342 per year or Rs. 13.60 per holding in the year 1981-82. Hence the municipality has to spend from its coffer Rs. 7.32 (Rs. 13.60—Rs. 6.28) per holding only to give some assessee the 'status' of rate-payer. And such assessee account for 60 per cent of the total assessee. Apart from the inefficiency of the system, it shows that the municipality could have improved vastly its collection efficiency if it had concentrated its energy and resources on the rest 40 per cent. Even among these 40 per cent who account for more than 90 per cent of the total current demand only 16.87 per cent rate payers contribute more than 77 per cent of the demand (see Table 7).

The municipality has not done any analysis of its rate payers in the manner we have done in the above paragraphs. The resources of any organisation are limited at a particular point of time. In order to achieve its objectives, such limited resources should be utilised in a manner which would give maximum pay off. In order to improve its collection efficiency, the municipality could ignore 65 per cent of the rate payers who contribute merely 11 per cent of its current demand. Among the rest 35 per cent who contribute 89 per cent of the demand, there is a core group of 16.87 per cent of rate payers who contribute 77.44 per cent of current demand and 69.38 per cent of total demand. Matters will vastly improve, if the manpower and other resources available to the municipality are utilised to the maximum extent for realisation of demand from this core group.

THE ORGANISATION AND THE MANAGEMENT  
OF THE COLLECTION DEPARTMENT

Briefly, the work of the collection department is as follows:

- (i) Dividing the municipality into collecting circles and posting of a Sarkar to each circle.
- (ii) Preparation of quarterly bills in duplicate.
- (iii) Service of bills to the rate payers at the beginning of each quarter. Service may be made personally or by post.
- (iv) Collection of tax. There are two modes of collection, viz., house-to-house collection and counter collection at office. Most of the collection is made through house to house collection by tax collecting Sarkars.
- (v) Depositing the money collected by the sarkars to the municipal fund. The sarkars are to deposit the money either daily or on alternate days.
- (vi) Examining sarkars' challans and maintaining a register giving details of demand and collection in respect of each rate payee.
- (vii) Maintaining a register known as Sarkars' ledger showing the demand and collection from each collecting circle. The ledger is to be balanced every month in order to watch the progress of collection in respect of a circle.
- (viii) Preparation of a consolidated statement every month known as progress statement showing the progress of collection.
- (ix) To prepare demand notice under section 155 of the BM Act.
- (x) Issuing warrant of distress under section 156 of the BM Act.
- (xi) Execution of warrant unless there is a separate warrant department.

We shall examine whether the organisation and the management system of the collection department of Uttarayan Municipality is adequate to tackle the above tasks. If it is found to be inadequate, we shall try to indicate what kind of change is necessary? Simultaneously, at another level, we shall investigate if change in the existing procedure and method of work is called for. Such an investigation is necessary since it is believed that the performance will improve, if other things remaining equal, better method of work can be devised.

As prescribed in chapter III of the municipal accounts rules, the vice chairman supervises the activities of the collection department.



At the operational level, the department is headed by the Tax Collector. Normally, he reports to the Vice Chairman. When the state government posted Executive Officer in Uttarayan Municipality in terms of section 66 (2) of the BM Act, the Tax Collector began to report to the Executive Officer who in turn reported to the Vice Chairman.

The Tax Collector is assisted by an Asstt. Tax Collector. The supporting staff of the collection department consists of 10 clerks. Besides, there are 16 collecting Sarkars for 16 wards. Duty chart of the clerical staff is as follows :

<i>Duty</i>	<i>No. employed</i>
1. Maintenance of demand and collection register; comparing and examining Sarkars' daily challans.	7
2. Preparation of bills and demand notices	2
3. Office collection	1

The demand and collection register has 47 columns. It is not necessary to fill in all the columns in respect of all the assessees. But minimum number of columns necessary to be filled in respect of each assessee in a year—whether he pays tax or not—range between 19 and 26. We found that each of the 7 clerks has been allotted assessees the number of whom range between 2344 to 3174. This means that on an average each clerk is required to make entries in respect of 39 to 52 assessees per day, assuming that postings in respect of all assessees are made once every quarter. If we assume that above 10 minutes time is necessary to make entry in respect of a single assessee, then each of the 7 clerks will have to work  $6\frac{1}{2}$  hours to  $8\frac{1}{2}$  hours per day to keep the demand and collection/register up-to-date. Add to this, the work relating to the examination of Sarkars' challans. Working hours available in a day are  $6\frac{1}{2}$  hours. It is quite clear that the volume of work is beyond the capacity of the total number of staff deployed for maintaining the demand and collection register. A major reason for huge arrears in the posting of demand and collection register must be lack of congruence between the volume of work and the capacity of the staff to cope with the work. We do not suggest increase of man power to do justice to the workload. For, that would increase the collection cost and create additional burden of coordination and supervision. We have reasons to believe that there is scope for reducing the clerical work by changing the present method of work. Change-over from house-to-house collection to counter collection, from quarterly billing system to yearly billing system about which we shall discuss in the next paragraph will obviate much of the clerical work involved in the maintenance of demand and collection register. New

formats requiring minimum of clerical labour need to be designed simultaneously to replace the existing register.

In the bill writing work, there are only two clerks. When we consider that ideally about 80,000 bills in triplicate have to be written ( $19832 \times 4$ ) per year, it is clear that two persons cannot do justice to the work. The bills must be prepared and served within the first month of each quarter. Hence, 19832 bills must be written and served in one month four times a year. During these 4 months, nearly 1000 bills must be written and served daily, assuming 20 working days per month. Assuming further that it takes about five minutes to write a bill and doing other ancillary jobs, it would require about 16 people only to prepare the bills. Against this requirement, there are only 2 persons. It is no wonder that the municipality does not send bills to the rate payers. Bills are sent to a minute fraction of rate payers belonging to the highest tax-brackets. We shall see later that non submission of bills is one of the reasons for poor collection. Hence, it is necessary to think about alternative methods to ensure that the bills are prepared and served regularly.

Instead of quarterly bills, annual bills may be submitted at the beginning of the year. This will reduce the workload to the extent of 75 per cent. In fact, the Municipal Finance Commission also made suggestion in the same vein. The Act and the rules have to be changed and formats have to be designed to enforce this suggestion. Secondly, machine may be used if found to be cost effective to print the bills.

Thirdly, manpower may be withdrawn, if necessary, from other departments at the begining of the financial year to ensure preparation of yearly bills within the month of April. The manhours thus saved from the bill writing work may then be utilised in other works of the collection department.

The distribution of workload of the tax collecting Sarkars was also studied and it was found that the load was extremely lopsided. As mentioned before, there are 16 Tax Collecting Sarkars for 16 wards, each being allotted one ward. Since number of holdings in different wards is not uniform, workload of the individual Sarkars varies considerably. The distribution of holdings among the Sarkars is shown in Table 9.

TABLE 9 DISTRIBUTION OF HOLDINGS AMONG THE TAX COLLECTING SARKARS

<i>No. of holdings allotted</i>	<i>No. of TCS</i>
Less than 1000 holdings	5
1000—1500 holdings	7
1500—2000 holdings	3
More than 2000 holdings	1

House-to-house collection is the traditional mode of collection of property tax in West Bengal. Even if each rate payer pays tax the moment a TCS arrives at his door, each TCS has to visit individual holdings at least 4 times a year, since demand is raised on quarterly basis. Assuming, 20 working days a month, the holdings required to be visited by a TCS daily were as shown in Table 10:

TABLE 10 AVERAGE NUMBER OF HOLDINGS REQUIRED TO BE VISITED DAILY BY THE TCS

<i>No. of holdings</i>	<i>No. of TCS</i>
Upto 15 holdings	4
6 to 20 holdings	4
21 to 25 holdings	4
26 to 30 holdings	2
More than 30 holdings	2

It is necessary to remember that the time available for visiting the individual holdings is extremely limited. If at the time of the visit of the TCS, the rate payer is found absent it becomes difficult to collect tax from the members of his family. The rate payers are mostly male persons and they leave for their places of work in the morning. Hardly two to three hours' time is thus available daily. If the holidays are utilised then of course longer working period is available to TCS. An official, however, is not expected to work on holidays, unless he is paid extra remuneration. Though a detailed study could not be made, it was clear from the various circumstantial evidence that even a conscientious TCS does not spend, on an average, more than two hours per working day on house-to-house collection. In two hours, not more than 12 houses can be visited, assuming 10 minutes' work per house. Since 12 out of 16 TCS—i.e., 75 per cent of the TCS—have been allotted more than 15 houses per day, one can safely conclude that a large number of houses are not visited at all by the TCS. When we take into consideration the fact that a single visit to a household is not enough for collection of tax, and some houses have to be approached more than once, employment of TCS for house-to-house collection of property tax becomes a totally meaningless ritual. Besides, as we shall see in the next paragraph, there is no managerial control over the TCS. The impact of these two factors, as also such factors as lack of motivation and absence of self-discipline among the TCS, upon the performance level of collection is obviously great. Without adequate reforms in the system of collection, any improvement of operational efficiency of the collection department is bound to become a far cry. Door-to-door collection is an antiquated

system of tax-collection. It requires to be substituted by counter collection in municipalities which have more than, say, 10,000 holdings. For the facility of the tax-payers, a number of collection centres may be opened in different parts of the town. The number of such centres would depend upon such factors as density of rate-payers, distance between the dwelling houses and collection centres, etc. The surplus tax collecting Sarkars may be engaged in chasing the defaulters, maintaining records, preparing progress statement, etc.

We also found that there exists communication gap between the tax collecting Sarkars and the office staff. During interview with the tax collecting Sarkars, it was revealed that the inter-personal relationship between the field staff and the office staff is far from satisfactory. The Sarkars complained that they did not get adequate support from the office staff. This kind of feeling among the TCS shows that there is a conflict between the field staff and the office-staff and the two categories of staff do not consider themselves as members of the same team.

It has been mentioned earlier that at the operational level, the tax collector is the head of the collection department. He is not a high-ranking official. He is in the grade of Rs. 380-910 which is equivalent to that of UD assistant in government. The responsibility given to the TC is quite onerous. Such responsibility is not definitely commensurate with the status attached to his position. Nor a person having such a low pay scale can be expected to be equipped with the knowledge and skill necessary for discharging the duties assigned to him. The department, accordingly, runs without any operational manager. The managerial control over the office and field staff of the collection department is thus almost non-existent. The position becomes worse when we look at the span of control of the tax collector. With 16 Sarkars, 10 clerks and one Asstt. Tax Collector, the span of control of the Tax Collector is obviously too big. With such a management structure, it is difficult to expect results from the collection department.

It is true that the rules envisage the Vice Chairman as the manager of the collection department. To our mind, this is an inappropriate role for a political executive. The political executive cannot be expected to possess the managerial skill. One acquires the managerial skill through years of training and experience. A political executive cannot overnight become a professional manager. Nor this is expected of him. In order to enable him to discharge his functions, he needs the advice and assistance of professional people. The Tax Collector, for the reasons mentioned above, cannot render such service to the Vice Chairman.

The gap in the management structure, as analysed above, was filled

when the Executive Officer joined the municipality and began to look after the work of the collection department, we shall see in section 8, how a professional executive at senior level can improve the functioning of an organisation firstly in formulating policy decisions and secondly in implementing those decisions.

We may conclude this section by making the observation that for improvement in collection performance, it is necessary : (i) to restructure the organisation and management system of the collection department, (ii) to devise alternative methods for reducing the volume of clerical work, (iii) to introduce alternative system of billing, (iv) to switch over to counter-collection from the present system of house-to-house collection.

### DISPOSAL OF REVIEW PETITIONS

We now turn our attention to another important aspect of property tax management. This relates to disposal of review petitions. In every municipality, it is a common experience that after every quinquennial valuation, a large number of review petitions are filed by the rate payers. Till such review petitions are disposed, the rate payers are entitled, under the law, to pay at old rates. Hence if the disposal is delayed, the current demand gets blocked. Quick disposal of review petitions is, therefore, an important means for raising collection efficiency. In Uttarayan Municipality, general revaluation prior to 1982-83 was done in 1978-79 and this valuation was made effective from April 1, 1979. The number of review petitions filed by the rate payers on quinquennial assessment and interim assessment during the years 1979-80 to 1982-83 was as shown in Table 11:

TABLE 11 NUMBER OF REVIEW PETITIONS FILED DURING  
1979-80 TO 1982-83

Year	No. of petitions
1979-80	6696
1980-81	111
1981-82	98
1982-83	42
TOTAL	6947

These petitions involve 35.03 per cent of total holdings. The review petitions are filed by those rate-payers whose rate has been increased or has been assessed for the first time. It is generally found that most of those who file review petitions are in higher rate-bracket. Very few of them belong to the lowest category of 60 per cent whose valua-

tion is within Rs. 100. Hence, the delay in disposing review petitions tells heavily upon the collection efficiency. Table 12 shows the pace of disposal of the 6947 petitions.

TABLE 12 PACE OF DISPOSAL OF REVIEW PETITION DURING  
1979-80 TO 1982-83

<i>Year</i>	<i>No. of petitions disposed</i>	<i>No. Pending</i>	<i>Percentage of disposed petitions in relation to total No. of petition</i>
(1)	(2)	(3)	(4)
1979-80	429	6267	6.41
1980-81	2005	4373	31.44
1981-82	2811	1660	62.87
1982-83	1365	337	80.20

The above table shows that the municipal authority did not pay any attention in disposing the review petitions in the first year. In subsequent years they stepped up the pace of disposal. Yet even in four years, they could not complete disposal of all the petitions, even though the life of an assessment cycle is five years. In large number of review petitions remaining pending in the years 1979-80 to 1981-82, a large amount of demand must have been locked up. And this demand in all probability relates to the rate payers belonging to the higher rate-brackets. Though we could not collect the actual demand locked up in these three years, it is safe to conclude that one of the reasons for poor collection in these years must be nondisposal of review petitions. When we notice that percentage of collection of current demand increased from 26.14 per cent in 1979-80 to 33.30 per cent and 43.36 per cent in 1980-81 and 1981-82 respectively (Table 5A), side by side with the increase in the pace of disposal of review petitions (Table 12), we may hypothesise that there is a strong correlation between the collection and the disposal of review petition.

Hence, a way must be found to ensure disposal of review petitions within the years in which they are filed. The legal provisions posed a hindrance for the municipal authorities in disposing the review petitions quickly. Under section 149 of the BM Act, the Chairman of the municipality had to act as the Chairman of the Assessment Review Committee. Though the Act provided that there may be more than one Review Committee, the compulsion of the presence of the Chairman in the committees drastically reduced the capacity of the committee/committees in stepping up the pace of disposal. For, the

Chairman as the political and the executive head of the municipal organisation has many other functions to look after. The time he can give for Review Committee meetings has, perforce, to be limited. Fortunately, the ordinance promulgated in 1983 has amended section 149 of the BM Act. Now it is permissible to form any number of Review Committees without the Chairman. Taking the help of this new provision of the Act, the municipal authorities may now form a number of committees, and, if they want, they can now phase the action programme in such a way that all the review petitions are disposed of within the year in which they are filed. This single act of disposing of review petitions quickly may increase considerably the collection efficiency.

#### COLLECTION: SEASONAL VARIATION

The property tax collection is not uniform throughout the year. This is natural, since the tax becomes payable at the end of the quarter. The four quarters are as follows:

1st quarter	:	April to June
2nd „	:	July to September
3rd „	:	October to December
4th „	:	January to March.

The monthwise collection figures (excluding the central authorities) for the years 1979-80 to 1981-82 are provided in Table 13 (*see next page*).

On examining the figures of Table 13, we find that the collection rose almost consistently in all these three years in the months of April, July, September or October, January and March. The highest collection is almost invariably registered in March. The March collections also spill over to April. And this explains why April collections are always higher than those of lean months like May, June, August, etc. In Table 13, we notice that collections were the highest in March in the years 1980-81 and 1981-82. The January collections in these years were the second highest. This trend is also noticeable in the year 1982-83, as we shall see shortly in Table 14. In 1979-80, however, the March collections were not the highest, but it was very close to the highest. We may, therefore, draw the conclusion that the months from January to March and also April are most crucial for property tax collection. Till the rate payers develop the habit of paying the property tax in regular manner, the municipal authorities should gear up its collection machinery in the months of January to March. Similarly, July and September/October are months when the machinery needs to be tightened.

TABLE 13 MONTHWISE COLLECTION FIGURES

(In Rupees)

Month	1979-80	1980-81	1981-82	1982-83
April	33,259	41,136	62,202	61,038
May	21,119	30,846	39,376	34,952
June	26,092	29,807	28,212	40,052
July	50,275	53,772	62,212	67,738
August	27,595	35,822	56,763	33,488
September	51,195	49,035	78,779	56,579
October	39,028	49,822	58,595	82,609
November	29,253	26,725	42,780	66,685
December	40,047	44,391	58,914	42,405
January	37,935	64,417	86,598	82,760
February	32,609	52,429	41,298	54,274
March	49,485	1,03,925	90,068	2,04,601

## ROLE OF ENFORCEMENT MACHINERY

The basic ingredient of efficient tax management is the enforcement of taxation law. Traditionally, the West Bengal Municipalities have shown extreme shyness in enforcing its authority over the defaulters. When we asked the tax collecting Sarkars the reasons for poor collection, all of them said that the rate-payers do not take seriously their obligation to pay property tax. That the municipal body is also a government in its own right is not properly realised by the rate payers. The same rate payers who do not hesitate to clear up taxes levied by the central or state governments or the bills of the electricity authorities take it easy when the payment of property tax is involved. This has happened because of several factors. Under the law, the municipal authorities are to submit bills to the rate payers in the beginning of each quarter. If the bills are not paid within the due date, the municipal authority will issue demand notice under section 155 of this Bill/Act. If within 30 days of the submission of demand notice, the tax is not cleared then the municipal body is authorised to issue distress warrant (section 156). If even after the issue of DW, full amount is not realised the municipal authority may recover the demand as public dues under the Bengal Public Demands Recovery Act, 1913 (section 162).

If the bills are regularly served and the powers as listed above are exercised by the municipal authority against the defaulters, there is no reason why collection performance should not improve. We have seen that most of the rate payers are not served with bills. It is no wonder that they show no seriousness in clearing up their tax dues.



The actions taken by the Uttarayan Municipality during January to March 1983 confirms the belief that collections do improve if the rate payers are made to feel that the municipality means business. Before we go on to describe the features of special collection drive taken by the municipality towards the end of 1982-83, let us examine Table 14 which gives the figures of collection of property tax during the months of January to June, 1983, compared with figures of corresponding months of the year 1980 to 1982.

It will be clear from Table 14 that phenomenal growth in collection was registered in March and April 1983. The impact of March and April was felt upon the months of May and June 1983 also. The collections in May and June also surpassed collections in the corresponding months in the four preceding years. We should try to discover the reasons for this.

TABLE 14 COLLECTION OF PROPERTY TAX DURING THE MONTHS OF JANUARY TO JUNE 1983 COMPARED WITH THE FIGURES OF CORRESPONDING MONTHS OF THE YEARS 1980 TO 1982  
(EXCLUDING CENTRAL AUTHORITIES)

Month	Collection (in Rs.)				P.C. increase in 1983 against the years		
	1980	1981	1982	1983	1980	1981	1982
January	37935	64417	86598	82706	218.02	128.39	95.51
February	32609	52429	41298	54274	166.44	103.52	131.42
March	49485	103925	90068	204601	413.46	196.87	227.16
April	41136	62202	61038	104807	254.78	168.49	171.71
May	30846	39357	34952	55560	180.12	141.10	158.96
June	29807	28212	40052	49488	166.03	175.41	123.56

In January 1983, the Executive Officer of the municipality submitted a statement to the Chairman showing the collections and realisable demand for the period from April, 1982 to December, 1982. While submitting the statement, he made the following observations:

The position of collection up to December, 1982 is very bad. The amount of outstanding dues is Rs. 14,49,544, and the time in hand is 2½ months. So some methods must have to be found out to boost up collection and realise a major portion of the outstanding dues. I suggest that a meeting be held by the Chairman with Vice Chairman, Executive Officer, President and Vice President of Finance Standing Committee TC and ATC to sort out the problems. Simultaneously an appeal be issued by the Chairman to the rate payers intimating them that payment of tax within 30 days from the date of service of bill will earn 5 per cent rebate.

The Chairman asked for the comments of the Vice Chairman on the suggestions of EO. The VC endorsed the views of EO. Thereafter the Chairman ordered as follows:

In the proposed meeting the Secretary be also included. You may arrange such a meeting early.

The meeting was held thereafter and certain hard decisions were taken. The decisions were as follows :

- (i) Appeal to be issued by the Chairman. The rate payers are to be informed that 5 per cent rebate will be allowed if the dues are cleared within 30 days of the receipt of the bill.
- (ii) Those who do not clear the dues will be served with demand notice under section 155 of the Act.
- (iii) Distress warrants are to be issued and executed against the defaulters.

February 1983 was the month of preparation. About 8000 bills were prepared and a large number of them were served. Demand notices were prepared in respect of about 1000 defaulters. About 650 of them were served. Out of them, 48 distress warrants were prepared for execution. Thirtysix of them were executed between the periods March 21 and March 29, 1983 as per details given below:

<i>Date</i>	<i>No. of DWs executed</i>
21.3.83	10
22.3.83	10
23.3.83	8
24.3.83	2
26.3.83	1
29.3.83	5
	<hr/>
TOTAL	36
	<hr/>

The impact of all this specially execution of DWs was tremendous. The collection counter of the municipal office faced unprecedented rush of rate payers asking for the favour of opportunity to pay their tax dues. The collection during the period from March 1, 1983 to March 20, 1983 was to the tune of Rs. 1,12,624.00. Collection from March 21, 1983 to March 31, 1983 was Rs. 1,50,047.00. The rush of the tax payers to clear up their dues continued on the following months, specially, in April 1983, as will be evident from Table 14.

The above story brings out clearly certain glaring facts:

- (i) If the municipality exercises the authority given to it by statute, collection will improve significantly.
- (ii) Without the political will, it is not possible to exercise the authority. In the above story, Chairman, Vice Chairman, President and Vice President had agreed to execute the DWs.
- (iii) The municipal bureaucracy may, in certain circumstances, influence decisions having political overtone. In this particular case, it was the EO who took the initiative in suggesting special collection drive. Before arguing the case for special drive, he made necessary home work and armed himself with adequate data.
- (iv) The decision taken at the highest level of the municipal body was faithfully executed by the Municipal bureaucracy.
- (v) One of the reasons why the drive was successful was perhaps the fact that the decision was a collective decision. In reaching the decision, all concerned—the political executives and all the relevant permanent executives—were consulted.

#### OTHER FACTORS AFFECTING COLLECTION

The Uttarayan Municipality has large chunks of vacant lands and big ponds. Their owners are not residents of the town. Besides, such properties quite often change hands. Hence, the collecting Sarkars find it difficult to collect taxes due against these holdings. It was noticed that sizeable demand was not realised because of the reason that the rate payers were not traceable. To our mind, the difficulties posed by the municipality in locating the owners of such properties are not insurmountable. Addresses of the owners can be obtained from the owners of the neighbouring holdings and also from the registration office. They may be served with bills regularly. In extreme cases, recourse may be taken to section 162 of the BM Act and the certificate cases may be filed.

#### CONCLUDING REMARKS

That the collection performance of the West Bengal municipalities is far from satisfactory is a well known fact. It is customary to lay the blame for such poor performance on the municipal commissioners alone. We have tried to show, through this case study, that there are certain serious weaknesses in the functioning of the collection machinery which is independent of the 'political will'. Some of these weaknesses are systemic in nature and, hence, their removal demands

systemic changes. Some of them are managerial in nature. It is necessary to remember that tax management is a professional job. And professionalism has not grown within the municipal organisation.

Thus it is not the political will alone which can do miracle in the field of tax collection. There are other important issues which need to be tackled effectively if improvement in property tax management is aimed at.

**Appendix I****THE PROBLEM OF COLLECTION FROM THE CENTRAL AUTHORITIES**

We have seen in Tables 4 and 4A that as of 1981-82 the central authorities account for more than half of the arrear demand and about 40 per cent of the current demand. The contribution of only two assesseees—constituting the central authorities—is, therefore, immense in the demand structure of the municipality. These two assesseees own only three holdings out of a total of 19832 holdings of Uttarayan Municipality. Originally, all the land and the structures contained in three holdings were the Government of India property. In 1972, a statutory authority was formed under a statute of the central government. Thereafter, a part of the land and structure was made over to the statutory authority. The other part continued to be owned by the concerned ministry of the Government of India.

Under Article 285 of the Constitution, the Government of India properties are not liable to taxes imposed by the Local Authority. However, in 1954, the Government of India decided, on the recommendation of the Local Finance Enquiry Committee and on the representations made to them from various quarters, that they would pay 'service charges' to the local authorities. The principle of determination of service charges was collaborated in 1967 *vide* the Ministry of Finance letter No. 4 (7)-P/65, dt. 29.3.1967. It was laid down therein that depending upon the services rendered to the central government properties, the municipal body would be entitled to service charges ranging from 33.1/3 per cent to 75 per cent of the property tax. The annual rental value of the properties will be fixed at 9 per cent of the capital value of the properties. The Government of India made it clear that the 'service charges' are payable only in respect of properties owned by the central government. The properties made over to the private limited companies formed by the Government of India will have to pay normal property tax.

The disputes between the Uttarayan Municipality and the central authorities are on the following points :

- (i) The municipality claims that the property belonging to the concerned ministry of the Government of India should pay service charge at the rate of 50 per cent because the municipality renders some service to them. The local office of the ministry claims that they would pay at the rate of 33½ per cent as they are not in need of any service from the municipality.
- (ii) The municipality claims that the statutory authority formed in

1972, should pay normal property tax as this, being an autonomous legal entity, is not covered by article 285 of the Constitution. The statutory authority claims that they would pay 'service charge' and not property tax.

The dispute is continuing since 1967-68 on various issues. From 1972, the dispute revolves round the above two points. There has been series of meetings, but it was not resolved. At one point of time, the central authorities agreed to abide by the decision of one arbitrator appointed by the state government. The arbitrator was appointed and he gave his award in 1978. But this award was not acceptable to the central authorities.

The municipal authorities are raising bills in terms of an agreement reached with the central authorities some time in 1971, while the latter are paying on *ad hoc* basis. The following statement shows the demand and the collection from the central authorities:

Total demand due as on 1982-83	Rs. 62.79 lakhs
Less payment made from 1967-68 to 1982-83	Rs. 36.89 lakhs
	<hr/>
BALANCE	Rs. 25.90 lakhs
	<hr/>

The interesting point to note is that the central authorities are making payments almost every year. And in the last 10 years or so they have paid a sum of Rs. 36.88 lakhs. The difficulty is with regard to the rate. The municipality has taken great pains in pursuing the matter consistently for over a decade. It is clear that the matter cannot be settled at the local level. But there is no evidence to the effect that the dispute has been sought to be settled at the highest level of the state and the central government. The result of the non-settlement of the dispute is that huge sums are shown as arrear demand of the municipality.

**Appendix 2****THE PROBLEM OF COLLECTION FROM NANDANPUR  
AND KHARIMATI**

There are two small settlements within the municipality known as Nandanpur and Kharimati. Residents of these settlements do not pay taxes to the municipality for two different reasons. Regarding Kharimati there is a dispute regarding jurisdiction. This settlement is claimed both by Uttarayan Municipality and its neighbouring municipality. As a result, the residents pay taxes to neither of the municipalities. The residents of Nandanpur, on the other hand, are aggrieved, because they think that they are ignored by the municipality. The municipality does not render them any service. Hence they refuse to pay tax to the municipality.

The contribution of these two settlements to the current demand is a little over 2 per cent. The amount is small, but refusal of a section of people to pay tax is a very bad example. The dispute should have been settled by negotiation. □

# *Development of Personnel for Local Government Administration in Nigeria*

D. D. MALHOTRA

THE NATURE and scope of development of personnel for local government administration in Nigeria are heavily influenced by the commitment of the nation to foster the growth of local governments as democratic institutions at the grassroot level, their history and traditions, expansion in their role and numbers and general shortage and rapid mobility of qualified manpower. Also important in this respect are such factors as the structure and functions of local government, the constitution and management of unified local government service and management practices which may contribute to or inhibit the development of personnel. The attempt in this paper is to highlight the crucial significance of these factors and basic issues having a bearing on the development of personnel in local governments in Nigeria. It is assumed that the appropriate dealing with these issues will provide a relevant framework within which, formal training will become effective.

## STATUS AND ROLE OF LOCAL GOVERNMENT IN NIGERIA

Nigeria is one of the very few countries of the world, and perhaps the only one from amongst the developing countries, which has constitutionally committed itself in favour of local government.<sup>1</sup> Section 7(1) of the Constitution of the Federal Republic of Nigeria lays down that "the system of local government by democratically elected local government councils is...guaranteed".<sup>2</sup> As it is common

<sup>1</sup>It is not clear whether the Military Government which took over after a coup on December 30, 1983 has abrogated or suspended the Constitution of 1979. This article was written before the coup and is based on the data which the author had collected while being on the Faculty of the Institute of Administration, A.B.U. Zaria, Nigeria during 1981-83.

<sup>2</sup>Federal Republic of Nigeria, "The Constitution of the Federal Republic of Nigeria (1979)", Commercial Services Division, Kaduna, 1981, p. 4.



amongst the federal form of political system, the Nigerian Constitution too, while requiring each state in the Federation to establish local government, gives them the power to determine "the structure, composition and functions of such councils". Though the states can entrust to local governments any power and function which falls within their exclusive jurisdiction, the constitution is specific that "the functions to be conferred by law to local government councils shall include those set out in the Fourth Schedule..."<sup>3</sup>.

The commitment to local government is further reflected by constitutional provisions requiring the sharing of public revenue of national and state governments with local governments. Section 7(6) of the constitution lays down that : "(a) the National Assembly shall make provisions for statutory allocation of public revenue to local government councils in the Federation; and (b) the House of Assembly of a state shall make provisions for statutory allocation of public revenue to local government councils within the state."<sup>4</sup> Section 149 of the constitution further emphasises the sharing of public revenue of the federal and state governments by the local government through a statutory process. Apparently, the founding fathers of the constitution in their wisdom felt that commitment to local government without ensuring steady flow of financial resources as a matter of right, would be difficult to sustain in action both at the national and at the state levels given the nature of federal-state relationship in a multi-party political system.

The concern for the development of local government in Nigeria was, however, not sudden at the time of the framing of the constitution in 1979. It had grown over a period of time. The strategy of the military government to gradually introduce democratic political system by first installing it at the grassroot level was responsible for revamping the local governments in 1976. The Local Government reforms of 1976 not only brought in the standardisation of local government structure and functions all over the country, but also they became the basis of articulation of its role in socio-economic and political development of the country. In Northern Nigeria, the governmental functions of native authorities were taken away and entrusted to the newly created local governments which also inherited a large chunk of their staff. Native Authorities had recruited, appointed and promoted them without much regard for merit and qualifications. This factor has an important influence on the approaches, strategies and the constraints on development of personnel in local governments and also on the personnel management

<sup>3</sup>Federal Republic of Nigeria, *op. cit.*, Section 7(5).

<sup>4</sup>*Ibid.*, p. 5.

policies and practices, general administrative culture, traditions and practices. Traditional rulers and their staff were also brought on to the pay-roll of the local governments in order to provide a vital linkage between the traditional and the modern institutions in the development process.

The role of local government as stipulated by the reforms of 1976 was :

- (a) to make appropriate services and development activities responsive to local wishes and initiatives by devolving or delegating them to local representative bodies;
- (b) to facilitate the exercise of democratic self-government close to the local levels of our society, and to encourage initiative and leadership potential;
- (c) to mobilise human and material resources through the involvement of members of the public in their local development; and
- (d) to provide a two-way channel of communication between local communities and government (both State and Federal)<sup>5</sup>.

In conformity with this role, the *Guidelines for Local Government Reform* stipulated that: In general, the functions which local government bodies should perform should be those:

- (a) which require detailed local knowledge for efficient performance;
- (b) in which success depends on community responsiveness and participation; and
- (c) which are of a personal nature requiring provision close to where the individuals affected live, and in which significant use of discretion or understanding of individuals is needed. Provided the services can be effectively rendered on the scale of a local government area...<sup>6</sup>.

It was further emphasised that "All the statutory and public service functions of local government in Nigeria should be concentrated in multipurpose single tier institutions called local governments with complete and self-contained budgets, so that the whole system of local government within any area can be identified, costed and co-ordinated". The functions allocated to local governments were listed in the guidelines in two parts. Part A specified those functions which

<sup>5</sup>Federal Republic of Nigeria, "Guidelines for Local Government Reform", Government Printers, Kaduna, 1976, Para 1.

<sup>6</sup>*Ibid.*, para 4.

should be the responsibility of local governments and those listed in Part B should be regarded as local government responsibilities although state governments and other organisations may also perform part or whole of these functions if local governments are not equipped to perform them initially. Most of the functions are same as subsequently incorporated in the schedule IV<sup>7</sup> of the Constitution of 1979. Based on these guidelines, each state government amended its local government statute or fresh edicts were issued. These edicts are in force in all the states of the Federation even today and the basic character of local government as stipulated under these edicts has remained unaltered even though the governmental system at federal and state levels had substantially changed from military rule to the presidential type democracy.

For a variety of reasons, the state governments have come under enormous pressure to increase the number of local governments within their respective areas. The most significant amendments to edicts have, therefore, been in respect of increase in the number of local governments and appointment by state governments of *ad hoc* committees or sole administrators till the deliberative wing is properly constituted through elections. The statewide expansion of local governments since 1979 is given in Appendix II. It would be observed that during a period of three years, the number of local governments have increased from 301 in 1979 to 703 in November 1982. There was already shortage of high level professional and technical manpower for manning the top positions of the existing administrative structure of local governments. A sharp increase in the number of local governments during this short period has aggravated the shortage.

On the other hand, the articulation of development role of local governments in terms of providing employment opportunities to the 'indigenies' of the local government area, apart from generating pressure for creating of more local governments, has contributed towards their being over staffed, spending almost upward of 90 per cent of all their income on establishment, leaving very little for services. Naturally, this excessive staff strength is at the lower levels of administration. It is this personnel stock which is required to provide the manpower for higher echelons at a later stage in view of the accepted policy that it is the responsibility of the government to provide necessary training and other development opportunities. Such large scale expansion in such a short period of time has created powerful forces for rapid upward mobility of personnel without developing amongst them necessary skills and abilities essential for discharging higher responsibilities and for developing an administra-

<sup>7</sup>See Appendix I of this paper.

tive culture which can internalise, assimilate and aggregate experiences, and transmit them to fresh entrants for stability and continuity of administration. Institutional training can play a very effective role in personnel development if, and only if, the necessary administrative culture is carefully fostered and nourished from within. However forces in support of nurturing this have unfortunately weakened.

#### PREPARING PERSONNEL FOR LOCAL GOVERNMENT : INSTITUTIONAL PERSPECTIVE

There are three important factors which can have a close bearing on the nature and extent of manpower required for the management in local governments in Nigeria. First, the nature and functions allocated to local governments would influence the range and depth of skills required for their management. Second, the wide gap between the anticipated role of local governments and the actual functions allocated to them would cause vagueness of the parameters (role-boundaries) within which the local government decision-making machinery has to operate and develop skills amongst its personnel relevant to its role and functions. Thirdly, the attractiveness of local government service to get qualified manpower and to retain them for sufficient long time in order to develop necessary operative skills and behaviour and to internalise the experiences would have to be built around proper constitution and management of local government service cadres.

Considering the first aspect, it would be noticed that the nature of functions allocated to local governments in Nigeria *vide* schedule IV of the Constitution, and the edicts of the state governments, are primarily of maintenance character. They can be classified into three categories, *viz.*: (a) regulatory functions, (b) functions related to extension of services, and (c) revenue raising functions. Apparently, the major sources of local revenue are directly linked with the discharge of regulatory functions, either by way of licensing or regulations through imposition of rates, charges or fees. The basic characteristic of this link pre-supposes the urban character of the local economy. However, this is not true because local governments in Nigeria encompass both urban and rural areas. In Northern states, it is the rural character which is most dominant for a large majority of local governments. The execution of regulatory functions requires enforcement machinery which either does not exist or it does not operate where it may exist in a rudimentary form in view of the low emphasis accorded to these functions. The services which flow out of these functions

can be classified as follows:

1. *Protective Services*: These services are intended to provide the physical protection to the community. They include control and regulation through licensing of buildings, movement of pets of all description, vehicles of certain description;
2. *Services Related to Convenience*: These services include construction and maintenance of roads, streets, cemeteries, burial grounds, markets, motor parks and other public conveniences: street lighting, local traffic management through control of traffic and parking; naming of roads and streets and numbering of houses.
3. *Environmental Services*: These are the services which are primarily concerned with the environment of the community. Such services are extended either by way of their positive provision or by preventive measures or removal of those features of environment which are unpleasant or injurious to the physical and mental health of the members of the local community. These services include :
  - (i) *Positive provision*: water supply, public housing, construction and maintenance of parks, gardens, open spaces, provision of community and local recreation centres, etc.
  - (ii) *Preventive and removal* : Cleansing through refuse collection and disposal, piped sewerage, sanitary inspection, development controls (planning and construction controls on buildings) drainage, control of public nuisances including loud speakers, drumming; control of hoardings/and advertisements; control of water and atmospheric pollution, etc.
4. *Community Health Services* : Which can be further sub-classified into two categories :
  - (i) *Preventive Health Services* : Which include vaccinations and inoculations (control of vermin); abbatoir; meat inspections; control and regulation of restaurants and other places for sale of food to the public; regulation and control of the bake houses; laundries; control of water and atmospheric pollution; regulation and inspection of slaughter houses, control of beggars and prostitutes, etc.
  - (ii) *Medical Health Services* : Provision and maintenance of health services which may include establishment and maintenance of health centres, maternity centres, dispensaries, health clinics, leprosy clinics. Ancillary health service is

the registration of births and deaths.

5. *Community Welfare Services*: Those services which are of personal nature and are meant for specific groups of people suffering from some disability. They include such services as provision of home for destitutes, the infirm and orphans.
6. *Education Services*: Extension of nursery, primary and adult education; activities related to dissemination of information and public enlightenment; provision of scholarships and bursaries; provision of public libraries and reading rooms, etc.
7. *Services Relating to Development of Agricultural and Natural Resources* (other than exploitation of minerals) including agricultural extension, animal health extension services, veterinary clinics, maintenance and control of grazing grounds, control and collection of revenue from forestry notified forest reserves, fuel plantation, etc.

From amongst all the services, it is the last category which is most directly and intimately linked with the rural development. The question is: how far can a system of local government basically designed for municipal functions more appropriate for urban development be used for formulating and implementing programmes of rural development? It is well recognised that in developing countries the objectives and strategies of urban development are substantially different from those relevant to rural development. In case, they are both brought under the same institution of local government, its structure, functions, powers, revenue sources and the range of skills available amongst its personnel have to be much wider, complex and appropriate to discharge the role. This has not happened. The articulation of the role of local government has not been matched by the concern for building up the institutional capacity for undertaking integrated rural-urban development. On the other hand, it has caused neglect by state government of its field administration leading to a serious erosion of its administrative capabilities. Implications for the assessment and development of manpower for local government management are obvious. Is it possible to develop skills, abilities and behaviour appropriate for developmental role of local government through internalisation of experiences built around limited municipal functions? Apparently, it seems difficult; and that is why local governments have not been able to attract and retain high level manpower. It is not surprising that institutional training to develop such manpower has helped the qualified and competent personnel to use local government as a spring board, simply because such persons may find the non-availability of opportunities to use their skills frustrating. Argu-

ments that it does not matter where the qualified person works, ignores the interests of the local governments, and defeats the objectives of financing by federal and state governments of specialised training programmes which are based on the assumption that there are special skills and abilities more relevant to local government administration than to any other levels of government. The research literature on role of bureaucracy in development clearly brings out such different requirements of personality structure, behaviour, skills and abilities of personnel engaged at the grassroot level of administration.

The width and depth of the complexity of local government administration increases not only because of its multipurpose character but also due to its requirement to cover the rural-urban spread of services. The heterogeneity of objectives, functions, programmes, the interest groups and the target groups to deal with, call upon development of skills in the following areas amongst the high level manpower within the local government administration:

- (i) policy formulation and policy planning requiring a sound understanding of causes and effects of socio-economic and political problems affecting the local community. Conceptual and analytical skills well-grounded in theory and practice, are very essential;
- (ii) Planning and programming;
- (iii) Project management including project appraisal, planning and control, and monitoring and evaluation;
- (iv) Budget formulation, planning and control;
- (v) Administrative management through development of such administrative skills which provide crucial management support for the above skills to be effective. They include communication skills; and negotiation skills, skills to effectively carry out coordination, supervision and control; skills to establish and maintain administrative procedures for continuity, stability and predictability of administration; skills for management of records, etc.

In addition to these skills personality structure, leadership style and behaviour are crucial components of high level manpower profile. It takes consistent and constant endeavour of the training/educational institutions and close collaboration with the practitioners to develop such high level manpower. Staffing pattern and the other personnel management practices provide the framework within which success or failure of such collaboration is determined.

*Management of Local Government Service*

In order to do away with the inadequacies of the separate personnel system prevalent before the Reforms of 1976, and with a view to strengthen the local government administration, the Guidelines required the state governments to adopt unified local government service.<sup>8</sup> Apart from introducing such a service, the state governments set up local government service boards as provided for under their edicts. The responsibility for selection, appointment, promotions, etc., has been entrusted to the Boards. It is also vested with the disciplinary authority in matters of dismissal, termination of appointment and demotion. The board is required to lay down elaborate rules prescribing qualifications, requirements for appointment and promotion to various posts covered by the unified local government service, and the manner in which such posts shall be filled. In most of the states, such rules have not yet been framed and adopted. Consequently selections, appointments, promotions, etc., are being carried out by the Board, without giving a clear perspective of policies governing these practices. Widespread belief that they are based on nepotism and favouritism could hardly be conducive to good morale. All these personnel functions are very crucial for the development of local governments. Training cannot undo the harm inflicted by the wrong choice of a person selected for appointment or promotion; and without developing an appropriate policy as reflected through the rules, the incidence of wrong choices increases manifold.

The nodal agency responsible for assessment of training needs of officials and for their sponsorship to training institutions is the Ministry of Local Government at the state level. It is also responsible for transfer of officials from one local government to another. But it has no information base to take sound decisions in these matters. Transfer is a very useful personnel function for training and development of an official provided it is known what is lacking in an official and which post will help him to acquire, through experience, such skills and abilities in which he was found deficient. System of performance appraisal has almost been abandoned. In its absence, the training efforts are difficult to link with the training needs of an individual and promotion on merit does not get any reliable information base. In these matters, there appears to be little coordination or cooperation between the ministry of local government and the Local Government Service Boards. Adhocism has been the most prominent feature of the management of unified local government service which was supposed to have provided a sound foundation for healthy personnel policies and practices in local government administration. However,

<sup>8</sup>Federal Republic of Nigeria, *op. cit.*, paras 35-38.



the awareness to streamline the distribution of functions and coordination amongst local government service board, ministry of local government and local government has grown. It is likely to be followed by concrete actions once the state governments and their administrative system become more stable and firm around the roots in the new political system adopted by the country. There is a growing awareness now that the number of local governments should be frozen at its present strength till the existing local governments develop administrative capacity to deliver services.

There is a need to constitute cadres within the local government service to ensure development of necessary skills and abilities through specialisation of functions. It will also help in identifying the qualifications and experience requirements most closely associated with the effectiveness of individual in the performance of specific functions. In the assessment of training needs and in the formulation of relevant training programmes, the contribution of proper cadre management will be enormous.

### CONCLUSIONS

Constitutional provisions requiring the establishment of local governments and allocation of public revenue to them laid the seeds for their growth and development on the Nigerian soil. However, substantial increase in their number since 1979 and the strong identification of the local people with their local governments for providing employment opportunities could be dysfunctional. At the same time, failure to constitute the deliberative wing through elections, cannot foster their growth as local governments. Substituting the elected representative by the nominated politicians as administrators or caretaker committees takes away the essence of local government.

The role of local government being articulated needs to be translated into action by way of giving them the capacity to discharge the role. At this stage, if local governments are excessively burdened with social, economic and political tensions without developing adequate capacity to resolve them, they are less likely to develop deep roots. A strong and healthy local government administrative system capable of translating intentions into actions is crucial in determining the extent of credibility which the local governments will enjoy amongst the masses. The anticipated role of local government, in view of its wide scope to cover rural and urban aspects of development, requires a very wide range of skills, abilities and behaviour profiles in its administrative system. The existing framework of local government does not provide sufficient opportunities for this purpose. If they have to live up to the role being articulated

in the society, it is necessary to review their structure, power and functions.

Following the Guidelines for Local Government Reform of 1976, steps were taken to create necessary infrastructure for providing qualified and competent manpower to local governments. Unified local government service was introduced in each state of the federation. Local Government Service Boards have been established to deal with the important personnel functions such as recruitment, selection, promotion, etc., with a view to building up an efficient and effective local government bureaucracy. However, the way the erstwhile staff of the Native Authorities was absorbed without screening, and the failure of the service boards to lay down necessary rules governing the conduct of various personnel functions, have not, despite substantial investment in training, been conducive to the development of local government personnel.

Federal, state and local governments have paid considerable attention to the development of manpower. Much of it has been in the area of institutionalised training. On-the-job training and the strategy to develop the skills and abilities of personnel by purposefully administering various personnel functions have not received serious attention it deserves. In fact, due to adhocism and consequent absence of sound personnel policy and practices within the local government framework, the effectiveness of the institutionalised training has not been as expected. Important personnel functions such as recruitment and selections, transfers, promotion, disciplinary action, performance appraisal, etc., are distributed amongst the three coordinate bodies, viz., ministry of local government, local government service boards and the local governments without evolving processes and procedures for effective coordination in their actions or for development and sharing of information for taking sound decisions in their respective jurisdiction of functions. It appears that, by and large, adhocism is the major characteristic of decision-making. The relationships amongst these bodies are likely to come under severe strains and stresses once the local government councils are elected. The management of personnel for development of competence in various aspects of local government administration would require greater attention than ever before, if the popular demand for local government is not to become a source of massive disillusionment.

## **Appendix I**

### **FOURTH SCHEDULE**

*(Vide Section 7 of the Constitution of the Federal Republic of Nigeria, 1979)*

#### **FUNCTIONS OF LOCAL GOVERNMENT COUNCIL**

1. The main functions of a local government council are as follows:

- (a) the consideration and the making of recommendations to a state commission on economic planning or any similar body on:
  - (i) the economic development of the state, particularly insofar as the areas of authority of the council and of the state are affected; and
  - (ii) proposals made by the said commission or body;
- (b) collection of rates, radio and television licences;
- (c) establishment and maintenance of cemeteries, burial grounds and homes for the destitute or infirm;
- (d) licensing of bicycles, trucks (other than mechanically propelled trucks), canoes, wheel barrows and carts;
- (e) establishment, maintenance and regulation of markets, motor parks and public conveniences;
- (f) construction and maintenance of roads, streets, drains and other public highways, parks, open spaces, or such public facilities as may be prescribed from time to time by the House of Assembly of a state;
- (g) naming of roads and streets and numbering of houses;
- (h) provision and maintenance of public conveniences and refuse disposal;
- (i) registration of all births, deaths and marriages;
- (j) assessment of privately owned houses or tenements for the purpose of levying such rates as may be prescribed by the House of Assembly of a state; and
- (k) control and regulation of:
  - (i) outdoor advertising and hoardings;
  - (ii) movement and keeping of pets of all description,
  - (iii) shops and kiosks,
  - (iv) restaurants and other places for sale of food to the public, and

(v) laundries.

2. The functions of a local government council shall include participation of such council in the government of a state as respects the following matters, namely:

- (a) the provision and maintenance of primary education;
- (b) the development of agriculture and natural resources, other than the exploitation of minerals;
- (c) the provision and maintenance of health services; and
- (d) such other functions as may be conferred on a local government council by the House of Assembly of the state.

**Appendix II****INCREASE IN NUMBER OF LOCAL GOVERNMENTS IN  
NIGERIA SINCE 1979**

<i>S. States No.</i>	<i>Number of Local Governments as in 1979</i>	<i>Number of Local Governments as in November 1982</i>
1. Anambra	23	54
2. Bauchi	16	43
3. Bendel	19	19
4. Benue	13	34
5. Borno	18	53
6. Cross River	17	59
7. Gongola	17	40
8. Imo	21	59
9. Kaduna	14	70
10. Kano	20	29
11. Kwara	12	32
12. Lagos	8	23
13. Niger	9	18
14. Ogun	10	30
15. Ondo	17	17
16. Oye	24	56
17. Plateau	14	25
18. Rivers	10	10
19. Sokoto	19	32
TOTAL	301	703

□

## *Book Reviews*

*Constitution, Powers and Laws of the Urban Local Bodies and Municipal Corporations*, New Delhi, Government of India, Ministry of Works and Housing, 1983.

This is the first of the four Study Group (SG) reports prepared in pursuance of resolution of the 18th meeting of Central Council for Local Government and Urban Development held in December, 1980 and placed before its 20th meeting in January, 1983. During the intervening period as many as 14 members were involved in finalising it. Apart from officials, the membership consisted of three academics and two mayors. The report covers a wide range of issues concerning most of the problems of municipal government in the country under three major terms of reference (TOR), viz.: (a) municipal organisational structure, (b) mayor-in-council system in the municipal corporations, and (c) uniform laws and regulations for municipal government. A close look into the contents of the report reveals wide divergence between what was expected and what has been accomplished. We would examine the SG recommendations on the three TOR to evaluate their worth.

### TOR-1. ORGANISATIONAL STRUCTURE

#### *Creation of Municipal Authorities*

Following the recommendation of the erstwhile Rural Urban Relationship Committee (1966), the SG accepted a minimum population limit of 20,000 as a requirement for creation of a new municipality; for smaller urban local bodies the usual census criteria were found to be acceptable; for the municipal corporations a minimum population of 300,000 with an annual income of Rs. 30 million have been suggested. For all urban local bodies, apart from population, other criteria—such as, income, urban character, and the role of the urban area—should be accepted as determining factors. Unless precise indicators are available to judge the sufficiency of the additional criteria in terms of various types of urban local authorities, it is doubtful whether these 'determining factors' could be used for operational purposes.

*Municipal Classification*

The existing municipalities and municipal corporations have been graded into various classes by the SG in order to limit the size of their councils, as under :

	<i>Population</i>	<i>No. of Members</i>
(a) <i>Municipalities</i>	(i) Small	15-19
	(ii) Medium	20-29
	(iii) Large	30-45
(b) <i>Municipal Corporations</i>	(i) 300,000 to 500,000	50
	(ii) 500,001 to 1,000,000	51-75
	(iii) 1,000,001 to 2,000,000	76-100
	(iv) Above 2,000,000	101-150

One could argue that a combination of population and income criteria could be used to classify the municipal authorities for a variety of purposes, like, adoption of a staffing pattern, administration of grants-in-aid, etc., in addition to the size of the council. For the municipalities, even a notional population specification for the various suggested grades has not been suggested. This leads one to think that the SG was primarily concerned with the size of the corporation council in relation to the city-size. The utility of this type of single-factor classification only to limit the size of the municipal council may be questioned.

*Municipal Election and Membership*

The suggested term of municipal and corporation council is five years with provision for a year's extension—by and large, this is the prevailing practice. For election to the corporation council, the SG suggests appointment of an autonomous agency by the state government; again this is true of election of all types of municipal authorities.

The SG has suggested reservation of membership in the municipalities and corporations for scheduled castes and tribes in proportion to their population; also, if no woman is elected, the council should coopt at least two women as associate members with a right to vote. The existing aldermanic system in the municipal corporations should be replaced by a system of coopted membership, coterminus with term of council, with the numbers ranging from 3 to 7 for various suggested grades of municipal corporations. The coopted members will have no right to vote or to hold any municipal office. For the municipalities, the SG suggests induction of *ex officio* members, ranging from 2 to 5, without any voting rights. The

rationale for these suggestions is to introduce an element of expertise in the working of municipal government. The danger of inducting such outside elements within the municipal council is the same as in the prevailing aldermanic system where even experts could be politicised through this process showing allegiance either to the ruling party of the municipal council or the state government. With the introduction of a political executive in the municipal corporations, as suggested by the SG later, the value of such cooption may be open to doubt. It is not clear whether the *ex officio* members of the municipalities would have any right to vote; in case this is conceded the municipal council may be the battle ground for state-municipal conflicts. The analogy of panchayati raj institutions in this context may not be quite relevant, since traditionally municipal governments have functioned away from the state's field administration since the Montford reforms in the 'twenties. Perhaps it is too late to turn the clock back after 60 years of municipal autonomy in the country!

The SG made elaborate recommendations regarding the resignation, cessation and removal of municipal and corporation members which are already in force in most of the states. If these are read along with its suggestions for induction of non-elective members in the municipal arena, one wonders whether the intention is to allow the state government's finger even in the pie of municipal councils and thus attempt to integrate two levels of government through devious means.

#### *Small Urban Local Authorities*

On the organisational front, the SG considered the issue of democratisation of the smaller urban local authorities, viz., (a) town area committees, (b) notified area committees, (c) townships, and (d) cantonments. A full-fledged democratic set-up has been suggested for the town area committees, with representation of special interests, like, the scheduled castes and tribes, and women. For the notified area committees the suggestion is to accord them municipal status within two years of their constitution. How exactly this is to be achieved, given the criteria of municipalisation discussed earlier, is left unexamined. Regarding industrial townships, it is suggested that these may be constituted with due regard to "the popular aspirations of the residents . . . while managing their affairs". One wonders what exactly it means! The SG also suggests creation of notified area committees in the fringes of such townships with suitable contribution from the industries owning the townships for proper development and maintenance of the fringe areas. How far this would be forthcoming—even from public sector enterprises—is, of course, a matter of conjecture.



As in the case of industrial townships, the SG understandably had some difficulty in suggesting radical democratisation of the cantonments. While the SG suggests further democratisation on the cantonment boards, its operative recommendation calls for the functioning of only the civil area committee of the cantonment board to act like a municipal body. How this will take place with the partially-elected cantonment boards, is not spelled out.

### *Metropolitan Government*

The SG started with an assertion that the metropolitan and urban development authorities in India "are a unique contribution to the art of urban governance" (*sic*)! Later, it modified its stand by stating that "between the twin national objectives, *i.e.*, democracy and development, the metropolis is striving for the attainment of the latter at the expense of the former because of the *faulty structural solutions* that are found for the problem of its governance" (emphasis added). The SG found that the existing metropolitan authorities and the municipal corporations are both inadequate in providing the necessary organisational set-up for solving the problems of the metropolitan areas and thought that a "regional government will replace the functional jungle" and end the present dichotomy between maintenance (the municipal sphere) and development (the concern of the metropolitan authorities). Having discovered this 'unique' solution, which was noted as existing "in all the advanced countries of the world", the SG called for a proper reallocation of functions between the state government and the regional metropolitan government. What it did not indicate is that neither the state governments, nor the international funding agencies, are at all keen to follow the democratic solution to metropolitan problem. In the end, the issue was left open without any formal recommendation by the SG and its enthusiasm for a two-tier metropolitan government came to an abrupt end.

### *Municipal Functions*

Basically three issues have been tackled by the SG with regard to municipal functions: (a) listing of obligatory and optional tasks; (b) the question of *ultra vires*, and (c) functional separation between the municipal authorities and the state government. The SG considers it useful to continue with the existing practice of listing obligatory and optional functions in municipal legislations; at the same time it recognises that this may have to be related to the resource availability and technical competence of various levels of municipal government. A logical corollary of this situation would, however, entail differential functional lists for not only different types of municipal authorities, but even for the various suggested grades among the broad types.

Moreover, in the absence of any quantitative specification of minimum service level, in practice it is not possible to objectively assess the adequate fulfilment of obligatory tasks by the municipal authorities so that the exercise of state powers of supersession or direction to the municipal bodies for specific performance may indeed be quite arbitrary. Therefore, the practical import of indicating obligatory municipal functions is to strengthen the armoury of state control which may be used for political ends. From the municipal angle, such differentiation merely means creation of permanent account heads for the obligatory functions.

The question of *ultra vires* has been discussed quite exhaustively since the Maud Committee (1967) in Britain indicated its preference for the continental practice of 'general competence' of municipal functional domain. The SG also follows the same line of thought without realising that the Maud Committee could be faulted since general competence flows from the locale of reserve powers; in the British and Indian municipal contexts the *ultra vires* concept underlines the limitations under a delegation plan of the higher levels of government enjoying the reserve powers. Essentially the same problem arises when one considers separation of functional domain of the state and municipal governments. A practical arrangement for such separation already exists in the sphere of municipal tax powers where the state government can intrude into the municipal sphere only after passing a tax legislation which withdraws the specific municipal taxation power enjoyed under the municipal legislation. Similar arrangements could be made in the municipal functional area as well. This unfortunately the SG could not comprehend and ultimately messed up the issue on the rock of constitutionalism.

### *Personnel System*

The SG has suggested that while creation of posts should be done by the municipal authorities, the actual appointments should be done through a variety of means: class I posts should follow the rules of relevant state cadre, class II posts are to be filled on the basis of selection by the state public service commission, while the municipal authorities would appoint persons in the remaining classes III and IV posts. Appointees in class II posts would belong to a state cadre of municipal functionaries to be administered by the state director of municipal administration. There would be a promotion quota for the class I posts. Essentially, however, these posts are to be manned by state officials on deputation, as in the case of most municipal corporations. In other words, the class I posts would be mostly reserved for state employees belonging to an integrated cadre, the class II posts would be reserved for state appointees to an unified cadre, while the remain-

ing classes III and IV posts would form separate municipal cadres. This brings uniformity between the municipal corporations and the municipalities so far as staffing is concerned; whether the municipal corporations would accept the role of the state directors in their staffing matter (for class II posts) or whether the top municipal staff belonging to the integrated cadre would have the necessary orientation in municipal administration are matters of speculation. Again, it is not yet established that the cadre system is necessarily a superior staffing device than the separate personnel system with its flexibility, specialisms and, most important of all, unified control. In fact, a position classification system may be desirable over the cadre system for all public employment. It is possible to regulate municipal staffing through rules formulated by the state government even under a separate personnel system, as in the case of state undertakings and institutions of higher learning. It would be useful to know the experience of the states with and without state cadres of municipal personnel to see how far the assumption of improvements in municipal performance with centralisation of personnel system holds true.

#### *Fiscal System*

On the fiscal front, the SG examined municipal budgeting and problems of valuation for property tax. Regarding municipal budget, the SG's recommendation for ending with the system of state approval is realistic as no state government has the machinery to scrutinise these budgets; in case of municipal authorities with a defaulted debt position, however, there could be some problem. Similarly, the SG's suggestion for a state-level central valuation organisation may have to be considered along with such anaemic bodies which already exist either as executive agencies (Orissa and Assam) or as a statutory body (West Bengal). None of these valuation organisations have a record of success. The question of the valuation base for property taxation was considered, but the SG has no positive ideas as to how the rent laws could be liberalised so that the existing rental method of valuation may function, or whether it is possible to change over to some other bases of valuation. Instead, the SG comes up with a confused idea that the rent laws should not allow contractual (below market) rent to be used for property valuation. Existing municipal legislations already provide that declaration of collusive rent may be disallowed by the valuation authorities.

#### TOR-2. THE MAYOR-IN-COUNCIL

##### *Dual Executive System*

The SG recommends a dual pattern of executive for the municipal corporations: (a) cities with a million-plus population will have a

mayor-in-council MC), and (b) smaller cities will have a mayor-in-standing committee (MSC). In other words, for the million-plus cities there would be an executive mayor, while for other cities the existing commissioner-oriented executive will continue in the municipal corporations. Although the term mayor has been used in both types of corporations, his role is radically different under these two situations: the executive-mayor presumably will shed his speakership role to be discharged by a council-chairman, and select his team of executive councillors from among the elected council members belonging to a single party; the speaker-mayor, on the other hand, continues with his chairmanship of the council and also heads a team of councillors elected on the basis of proportional representation to the standing committee. It is not quite clear why the mayor-in-council system should not cover all the municipal corporations, if the existing system of commissioner-oriented executive is regarded as undesirable or found to be unworkable. Presumably, the SG made this compromise in the face of resistance to the idea of the mayor-in-council from the state governments and its bureaucracy. However, this has resulted in a confused situation whenever the SG makes recommendations on the executive system of all municipal corporations.

#### *Mayor's Term*

The SG recommends that the term of the mayor should be coterminus with that of the council unless : (a) there is a motion of no-confidence passed by three-fourths of the total councillors, or (b) his budget is not adopted by the council. Surely, under the MSC, such a stability of the mayor's tenure may not be quite important since the executive functionary there would be the commissioner, instead of the mayor under the MC. Similarly, the resignation procedure for the mayor would also differ under the MC and MSC plans.

#### *Committee System*

The SG suggests that every corporation should have a statutory Accounts Committee headed by the opposition group party. In addition, the MC corporations may have only advisory committees, while the MSC corporations may have other executive committees (e.g., functional or territorial) with the standing committee at the apex. The difficulty of a statutory Accounts Committee under the MSC arises from the fact that both the standing committee (SC) and the accounts committee (AC) would consist of similar shades of membership with proportional representation from the council and it is somewhat difficult to envisage that: (a) the AC would be able to effectively check the SC, or (b) the SC would allow its activities to be closely scrutinised by the AC which is subordinate to it. Therefore, a statutory AC is

relevant only under the MC corporations. It is also curious to note that the SC talks about a majority group/party even under a MSC corporation; technically, a party system is not recognised under the MSC as it is not an executive functionary.

### *The Commissioner*

SG recognises the differential status and role of the commissioner under the MC and the MSC corporations when it recommends that in the MC corporations the commissioner would be appointed and withdrawn at the instance of the executive mayor, while under the MSC corporations he would be appointed in consultation with the presiding mayor and withdrawn when the council with a two-thirds majority asks for his removal. However, the point that needs emphasis is that under the pure type of MC corporations (cabinet variety), the commissioner would exercise his executive functions on the basis of delegation from the MC; on the other hand, under the MSC corporations the commissioner continues with his role of a coordinate executive authority along with the corporation and the SC, as well as acts as its statutory executive functionary. The SG unquestioningly accepts the modified version of the Calcutta-Howrah MC proposal, presumably to win over the doubtful Thomases without assigning any logical justification for such a compromise. As in the case of the mayor, the commissioner also performs different roles under the MC and the MSC corporations.

## TOR-3. UNIFORM MUNICIPAL LAWS AND REGULATIONS

### *Legislative Uniformity*

The SG suggests that : (a) municipal government as a subject should be placed under the Concurrent List of the Constitution, and (b) a uniform central model municipal law may be framed. While the first suggestion is an issue of centre-state relations, it is possible for the central government to pass a model central legislation on the same lines as the urban land ceiling and regulation law to be adopted by the state legislatures. However, the initiative in this respect has to come from the state governments. If the past resolutions of the Central Council for Local Government and Urban Development in this regard are any guide, such an eventuality seems a remote possibility.

### *Uniformity in Regulations*

The SG has not specifically suggested unification of municipal regulations, presumably because such uniformity would come about once a model central legislation is brought into operation. However,

the SG has indicated the need to formulate model municipal bye-laws by the state government which would "reduce conflicting approaches on the part of various local (municipal) authorities ensuring uniformity". Such regulations will have only state-wide application and would be a poor substitute for introducing wider uniformity as envisaged in the TOR.

—ABHIJIT DATTA

*State-Municipal Fiscal Relations: A Comparative Study of Australia and India*, ABHIJIT DATTA, Canberra, Centre for Research on Federal Financial Relations (Research Monograph No. 37), The Australian National University, 1982.

In recent years Indian scholars have evinced interest in comparative study of Indian and Australian fiscal federalism. Though the then British Government of India deputed B. P. Adarkar, and B. K. Nehru<sup>1</sup> to study the working of Australian Commonwealth Grants Commission and also to examine its relevance for India, such interest did not continue after independence. This was mainly because of the colonial mentality of Indian scholars to turn to the West for enlightenment. However this situation changed by 1960s when Indian social scientists started searching for their own identity.

The present reviewer examined the comparative relevance of the Australian federal fiscal institutions for India in 1972.<sup>2</sup> However, it did not cover the local government institutions and state-local fiscal arrangements. Datta's study has attempted to fill the gap as also to continue the scholarly interest in Australian federal fiscal institutions.

The study under review attempts to find out similarities as well as contrasts between Australian and Indian local fiscal federalism. Though Datta has given aggregate picture in the first chapter, he has attempted detailed comparative study of local governments in New South Wales in Australia and West Bengal in India. This comparative study covers: (1) institutional arrangements, (2) instrumentalities of fiscal base, and (3) prediction of future trends. Datta has no doubt recognised the difference between Australian and Indian local government institutions particularly in terms of area covered, population density and classification of urban local government. He has left out

<sup>1</sup>They submitted a report based on their study: *Report of the Australian System of Federal Finance and its Applicability to Indian Conditions*, Government of India, New Delhi, 1947.

<sup>2</sup>G. Thimmaiah, *Federal Fiscal Systems of Australia and India*, Associated Publishing House, New Delhi, 1976.

rural local government institutions from his study as there are substantial differences mainly because of historical reasons. His choice of NSW in Australia and West Bengal in India is rightly justified on the basis of their similar historical origins of British rule as also earliest introduction of British local government institutions in the respective countries. The other reasons which he has mentioned are not unique to these two states but common for all.

In the first chapter, Datta has made aggregate comparison with regard to the functions, revenue structure and expenditure pattern. He has found that the functions of local governments in New South Wales and West Bengal compare well with some minor exceptions. But the basic difference is still apparent as these functions are only nominal in India whereas they are real in Australia because of the absence of 'municipal culture' in India. Expenditure pattern also compares well though some functions like housing, transport, airway, etc., are not in local government domain in India. One gets the impression that Datta has included repayments as a function, (Table 4, p. 7) rather than an item of expenditure on capital account. This may not be correct for the purpose of comparing the functions of the local governments in Australia and India.

Revenue structure is almost similar at the aggregate level though there is a great deal of diversity from state to state in India as compared to uniformity even between states in Australia. Though octroi and other taxes are important for local governments in India, they are disappearing gradually thereby making property tax a major source of revenue as much in India as it is in Australia.

Datta's emphasis on political revitalisation of local governments in India is timely and important. The ruling political party in India paid lip sympathy to the development of local governments and actually almost suppressed local self-government. This was done in Karnataka for almost a decade until the present state government revived and revitalised the municipal government recently. But opinions differ on the need for transferring any more functional areas to the local governments in India because of archaic administrative set-up of local governments. Consequently education, health, and even street lighting have been taken over by the state government in Karnataka. There is a gradual shift of these functions to state level because of their importance, financial resources and more responsive administration required to provide these services. Widening and improvement of inter-governmental transfers are no doubt important but much more important is making them a permanent feature on rational basis.

Datta has compared municipal system and institutional arrangements for state-local fiscal transfers in New South Wales and West



Bengal in the second chapter. He has pointed out that historically New South Wales had only two types of local governments: municipalities for urban areas and shires for rural areas. But the Commonwealth Grants Commission classified them into four categories: cities, municipalities, urban shires and others. If we leave out 'others' category, New South Wales is left with three types of municipal governments. In all, New South Wales had 26 cities, 54 municipalities and 54 urban shires in 1975-80. In West Bengal also local authorities were divided into four categories: municipal corporations, municipalities, notified area committees and town area committees. West Bengal had two corporations: Calcutta and Chandannagar, 94 municipalities, four notified areas and four town areas in 1979-80.

Datta has outlined the new institutional arrangement created for determining the financial assistance from state to local governments. In New South Wales, on the recommendation of Royal Commission on Local Government Valuation Rating and Finance in 1965, the State Commission was established in 1969 to determine the financial assistance from the state government to the local bodies. The composition of this commission was adjusted to meet federal law to receive a share in the federal income-tax from 1976. In West Bengal, Municipal Finance Commission was established in 1979 to recommend financial assistance from the state government to the urban local bodies. It is also interesting to note that the New South Wales Grants Commission has adopted the Commonwealth Grants Commission's equalisation approach to determine the financial transfers, whereas West Bengal Commission has adopted Indian Finance Commission's 'gap filling' approach for the same purpose.

Datta should have given an account of the *ad hoc* way the financial assistance was distributed earlier in India in contrast to a more rational approach used in New South Wales prior to 1965. It is necessary to remember that even now the Municipal Finance Commission is an *ad hoc* body in West Bengal, whereas it is a regular agency in New South Wales. This difference highlights not only the importance of local government in Australia, but also peoples' assertion to participate in decision-making at local government level on local affairs. All these are absent in India.

In the third chapter, Datta has described the equalisation approach adopted by New South Wales Grants Commission and gap filling approach adopted by West Bengal Commission to determine the financial needs of the local governments. Equalisation approach of New South Wales Commission is partly imposed by the Commonwealth Local Government (Personal Income Tax Sharing) Act of 1976. This Act requires that 30 per cent of the state's total income-tax entitlement should be distributed on population basis among local



governments and the remainder may be distributed on equalisation basis. The equalisation basis is determined as the difference between the revenue differential minus expenditure differential. For this purpose, about 10 items of local government expenditures are included. This method involves detailed calculations and has been improvised over the years in the light of more reliable data. This method achieves both horizontal and vertical equity at the local government level, although Datta maintains that it will only achieve vertical equity. The reasons for such a view are not entirely clear.

The gap filling approach was used by West Bengal Municipal Finance Commission by projecting the municipal revenue at the rate of 10 per cent, recurring expenditure at five per cent, and non-recurring expenditure at 10 per cent growth per annum. After estimating the projected gap, it was reduced by the amount of tax shares forthcoming under motor vehicles tax, entry tax and grants from the West Bengal government. The net grants were recommended to be treated as committed non-plan expenditure of the state government which may be taken into account by the Federal Finance Commission while determining the state's share of central assistance. We all hope that the eighth Finance Commission will take this into account.

The gap filling approach will no doubt achieve vertical equity. But the distinguished economists who served on the West Bengal Municipal Finance Commissions failed to recognise the horizontal inequity which exists even at urban local government level. For instance, the Karnataka Taxation Review Committee found that the corporations were financially better-off because of the buoyance of the property tax. In fact the Bangalore City Corporation experienced revenue surplus whereas small town municipalities experienced deficit because their property tax base was limited. The position worsened in the case of small towns after the abolition of octroi. Therefore, unless the Municipal Finance Commission takes into account horizontal inequity, the financial problems of small towns will continue to worsen and they will not be able to maintain some minimum standard of municipal services let alone increase them.

Datta has pounced on specific purpose grants which predominate in Australia *vis-a-vis* in India. According to him the specific purpose grants constituted about 62 per cent of the financial assistance provided to local governments in New South Wales. This is considered to be against the philosophy of local self-government because specific purpose grants are supposed to kill the local initiative and distort the local government priorities. However, it has been proved in the theory of fiscal federalism that the specific purpose grants ensure uniform standard of services, reduce waste, compel the grant receiving governments to tap their own resources and also meet the collective needs of

the local governments. Therefore, from the point of view of achieving the goals of local self-government it would be appropriate to support specific purpose grants even in West Bengal in line with other parts of India, until political awareness of the people will be able to reduce waste and corruption at the local government level.

In the fourth chapter, Datta has examined the nature and purpose of specific purpose grants in New South Wales and West Bengal. Besides, the borrowing practices of Australia and India are compared. In Australia public borrowing is regulated by National Loan Council and state governments are expected to follow the rules and guidelines laid down by National Loan Council. In India local governments can borrow only from the state government concerned. In this connection Datta should have examined the suggestion to empower the city corporations to borrow from public for remunerative capital works. He has only suggested that the New South Wales government may give capital grants to local governments to get over Loan Council restrictions in Australia.

In the fifth chapter, Datta has examined the channels for financial transfers to local government, statistical data and information system on local government finances and valuation of property for purpose of taxation. Datta has found that both New South Wales and West Bengal governments have been channelling financial assistance to the local governments not only through their departments of local governments but also through other functional departments. The latter system has added to some administrative complications. In New South Wales a central valuation authority—Valuer-General—is created to do periodic valuation. In West Bengal, similar system has been attempted under West Bengal Central Valuation Board Act of 1978. In Australia systematic attempts have been made to compile and publish financial data and information relating to local governments. But in India this is absent. Even official committees have not been able to obtain required data and information. Though states' statistical bureaux have been trying to do their best to fill the gap, the municipal authorities have not realised the importance of systematic data collection.

In chapter six, Datta has examined the suggestion regarding the new sources of revenue for urban local bodies, reallocation of functions between state and local governments, and local government boundary adjustments. Datta has explained that the Royal Commission on Local Government in New South Wales recommended a poll tax on adults other than rate payers, betterment levy, licencing fee, tourist and entertainment tax and sale of land for unpaid taxes. In West Bengal, the Municipal Finance Commission recommended pay roll tax by different municipalities over and above the state profession

tax, a new terminal tax in hill stations, surcharge on property tax and surplus from municipal enterprises. Of all these suggested sources, the constitutional validity of pay roll tax is in doubt. Other taxes may be levied, but the administrative costs will eat into most of the revenue.

In regard to the reallocation of functions between the state and local governments, Datta has only made passing reference to various suggestions but has not examined this issue in the light of the international debate on reallocation of functions to adapt the local government functions to technological change and the recent reallocation of functions in some states in India. Technological development has rendered some functions like sewerage treatment, to be transferred to state government because the capital investment in the new equipment is too high and economies of scale in using the equipment by more than one local authority makes it to be allocated to higher level government. Further, inefficiency at municipal level *vis-a-vis* social importance of health and education has compelled the state governments to take over these functions in states like Karnataka. This has reduced financial burden on local governments in Karnataka.

In New South Wales some attempts were made to consolidate the boundaries of urban local bodies on some rational criteria. But in West Bengal such efforts have been lacking, though now and then boundaries are changed arbitrarily more for political reasons. Datta has ignored the experience of Australia and India in creating special functional authorities like Water Supply Board, Sewerage Board, etc. in India and Fire Protection Agency in Australia. Such special functional agencies are justified by Wallace Dates on the basis of theory of spillovers. But whether multiplicity of such specialised agencies will improve the efficiency of rendering the services at low cost or will simply usurp local government functions without improving efficiency should be examined empirically.

In the last chapter, Datta has examined the present and prospective entry of national government into the area of financial assistance to local governments in Australia and India. In Australia, federal government's participation in providing assistance to local governments has advanced upto a reasonable stage but in India it is still at the level of debate and whatever assistance that is provided is only through some plan programmes. Datta has also made some reference to the practice of creating urban development agencies in the name of town planning which has created duplication and conflicts between municipal functions.

On the whole, the monograph is a very useful addition to the literature on comparative federalism. Professor R.L. Mathews, who is in charge of the small but a highly productive centre on federal

financial relations within the Australian National University, deserves our praise for sponsoring this and many other studies relating to local government finances.

—G. THIMMAIAH

**INDIAN INSTITUTE OF PUBLIC ADMINISTRATION**  
(Centre for Urban Studies)

**Programme of Activities: 1984-85**

<i>A. Training Courses</i>	<i>Dates</i>	<i>Course Coordinator</i>
1. Municipal Personnel Administration	May 1-11, 1984	Shri Raj Nandy
2. Housing the Urban Poor	July 9-21, 1984	Shri D.D. Malhotra
3. Urban Water Supply Management	Aug. 22-31, 1984	Dr. K.S.R.N. Sarma
*4. Urban Project Appraisal	Sept. 24-29, 1984	Dr. K.S.R.N. Sarma
5. Voluntary Organisations and Urban Development	Oct. 15-20, 1984	Shri M.K. Narain
†6. Management of IDSMT	Oct. 29-Nov. 7, 1984	Shri Raj Nandy
7. Municipal Budgeting and Financial Control	Nov. 12-21, 1984	Shri G. Jha
*8. Urban Plan Administration	Dec. 3-13, 1984	Prof. A. Datta
†9. Financing of IDSMT	Jan. 2-8, 1985	Shri G. Jha
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*12. Valuation and Assessment of Property Taxes	Feb. 18-28, 1985	Prof. A. Datta/ Shri G. Jha
<b>B. Workshop/Seminar</b>		
1. Canada-India Workshop on Urban Development and Municipal Management	Nov. 2-3, 1984	Prof. A. Datta
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(\*MDP; †Plan Budget)

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## Contents

### Articles

- 
- |  | PAGE |
|--|------|
| BASIC EXPERIENCE OF MANAGING CITIES<br><i>Satyesh C. Chakraborty</i>                                   | 1    |
| MUNICIPAL SUPERSESSION AND URBAN INSTITUTIONAL<br>DEVELOPMENT<br><i>Mohit Bhattacharya</i>             | 9    |
| URBAN DEVELOPMENT IN AN INDUSTRIAL CITY:<br>A CASE OF KANPUR METROPOLIS<br><i>R.K. Awasthi</i>         | 20   |
| PROPERTY TAX GROWTH IN METROPOLITAN CITIES<br>IN INDIA<br><i>Shyam Nath and Larry Schroeder</i>        | 33   |
| COLLECTION OF PROPERTY TAXES: A CASE STUDY OF<br>DELHI<br><i>M.P. Sharma</i>                           | 45   |
| PROVISION OF MUNICIPAL FIRE SERVICES WITH SPECIAL<br>REFERENCE TO BARODA<br><i>Archana R. Dholakia</i> | 61   |

### Book Reviews

- |  |    |
|--|----|
| LOCAL GOVERNMENT FINANCE IN THE THIRD WORLD—<br>A CASE STUDY OF THE PHILIPPINES (Eds. ROY BAHL AND<br>BARBARA MILLER)<br><i>Shyam Nath</i> | 70 |
|--|----|

FINANCING REGIONAL GOVERNMENT : INTERNATIONAL PRACTICES AND THEIR RELEVANCE TO THE THIRD WORLD (K.J. DAVEY)	73
<i>Abhijit Datta</i>	
URBAN PLANNING IN THE THIRD WORLD : THE CHANDI- GARH EXPERIENCE (MADHU SARIN)	74
<i>Abhijit Datta</i>	
INDIA'S DISTRICT INDUSTRIES CENTRES : AN EXPERI- MENT IN DECENTRALISATION OF SMALL-SCALE INDUS- TRIES (A.W. SHEPHERD)	75
<i>Abhijit Datta</i>	

# *Basic Experience of Managing Cities*

SATYESH C. CHAKRABORTY

THE FIELD of enquiry that we have chosen for this paper is somewhat related to the task of managing our cities. Management is assumed to include all regulatory actions that are necessary to maintain an appropriate condition for different urbanizing social forces to operate and to develop. Our objective in this paper is to examine the experiences that our city-managers have so far gathered in this regard.

## TWO INSTITUTIONS AND TWO PRIMARY TASKS

In India, we have basically two types of institutions whose specific task is to manage the cities. These are the institutions of local self-government (urban municipalities) and the urban development organisations. With reference to Calcutta, we may say that there is the Corporation of Calcutta and the Calcutta Metropolitan Development Authority representing respectively these two kinds of institutions. Most Indian cities have one or the other form of municipal government. Almost all metropolitan cities and a substantial number of medium and small towns now have their own urban development organisations. Seen purely in terms of their numbers, India should have a rather rich experience in managing cities. However, the nature of the experiences have been different between these two types of institutions, primarily on account of the different ways that these have interpreted their respective primary tasks. It is necessary that we comment on their distinctions.

The institution of municipal governance that we have in India today has been basically a creation of the British colonial administration. Indeed, we have reformed these after attaining political independence. The point to note is that the urban municipalities are the older of the two institutions of urban management. These were established for the different urban settlements in stages. More of these are likely to be created in future. What has been the most consistent element in this approach is that the urban municipality has



been set up in every case long after the settlement had acquired its distinctive urban attributes. These did not start with a charter to establish a new town or city. These were given the charge of providing diverse civic services as supporting mechanisms for the given urban economy and society to function effectively.

The urban municipalities were also endowed with the authority to permit, prescribe or proscribe the behaviour of the citizens with regard to uses made of the physical space and the service infrastructure. This authority the municipalities have tried to exercise by way of issuing or denying permission to pursue trade, profession, industry, or any other calling. This has also been exercised by way of assessing the value of property commensurate with the use made of it and by way of levying a tax upon the owner and/or the occupier of such a property. By exercising such powers, this type of city-managers could regulate the process of changes in the urban land economy. We are not suggesting that all the urban municipalities have exercised such powers equally effectively, as that will be far from truth.

As the city in their respective charge grew over time, the responsible municipal government had laid, modified, and replaced the infrastructure that was needed for the different civic services. Whether these had indeed conducted such business consistently is not our contention. What we are emphasising is that such institutions have had considerable experience of successes and failures in handling the game of developmental management. However, an accent on maintenance management has emerged over the recent decades as a pronounced feature of their overall activity schedule. This emphasis on maintenance as distinct from development activity has emerged, not for any internal ineptitude; but as a consequence of the decisions taken by the provincial as also the national policy makers. Such policies emerged over time in defence of pragmatism, so to say.

Today in India, the urban municipalities are not, however, seen by custom as the urban planning and development management institutions. These tasks were assigned to the city improvement trusts in the early decades of the current century and to the specially created urban development organisations after independence. It is of interest to note that the city improvement trusts were not abolished in cities like Calcutta and Howrah even after entrusting the charge of these cities to the urban development organisations. Both these kinds of organisations were assigned the responsibility to discover the strategies of intervention and to implement those to fulfil the overall objective of improving the functions of the cities in their charge. These have promoted diverse types of projects and programmes of action and have received relatively liberal financial support from the provincial and the national policy makers. On the whole, these

organisations have persisted in constructing urban infrastructure.

#### THE EFFECTS OF CONTRIVED DISJUNCTION

It is indeed curious a fact that, by allocating the two tasks of maintenance and development of the same object (urban infrastructure) between two organisations, the national policy framers have indeed introduced a contradiction or disjunction between the processes of learning and acting. The urban municipality through its maintenance functions becomes a natural repository of knowledge about when, where, and how the given urban facilities are becoming dysfunctional. Therefore, this is the very institution which should decide on when, where, and how an appropriate amendment could be carried out. However, the responsibility of selecting an appropriate intervention was assigned to the urban development organisations, who had hardly any mechanism to learn about the way the beneficiaries were going to interpret the appropriateness of their actions before or after. How the four concerned parties, viz., the policy makers, the two institutions of city management, and the beneficiaries were disposed towards such a contrived contradiction thus becomes a relevant point to enquire into.

It should be stated that our policy makers have not as yet promoted or sustained any culture of collective sharing of responsibility between the two institutions of city management. Wherever any effort has been made to obtain a reasonable correspondence between the two, the younger institution's superior hold over the flow of funds has made the principle of cooperation a victim. At the same time, the number of users of the city infrastructure continually increased so as to upset all assumptions on the adequacy of investments in this regard.

Such a situation prompts us to formulate a hypothesis with two complementary components within it. In the first instance, it appears to us that neither of the two institutions of city management ever looked into the process of urbanisation or examined what was happening beyond the boundaries of their organisationally given tasks. This means that their organisational culture was turned to acting through the logic of 'one-way causal paradigm'. They defended their own actions by what they believed to be the reality. Therefore, both could afford to deny the other as resource without any qualm. Secondly, it appears to us that the real intention of the policy makers was to disentangle the politics of public investment from the social forces sustaining the given urban place. The urban development organisations decidedly offer a protected ambit for decision-making by such policy prescribers. The local interest groups have been given

no institutional mechanism to get their felt-needs admitted and resolved within the developmental organisations. The only mechanism that is available to them is by reference through the state legislature. We suggest that the validity of either tenets of the above hypothesis be examined as a means to evaluate the quality of our experience on urban management that we have. We shall present a few circumstantial evidences to help such an enquiry to proceed from those.

The above contradiction, being subtended between the urban milieu and the city-managers, can possibly secure advantage for some power-groups within the country. To appreciate it, we may examine the following data. The projects and programmes implemented through the urban development organisations were generally financed in rupee-currency against some borrowings made in hard-currency from outside India. The hard-currency, thus available with the union government of India, was used for importing technology, materials and services for managing the general economy of the country. The priorities in this regard were worked out at places which were beyond the ambit of the urban development organisation. The issue before us is not to question the autonomy of a national government. On the contrary, the point here is to reckon that the politics of public investment may not be conditioned by what is an exclusive attribute of a city. It entails a much larger territorial base of operation. Given this perspective, it may then be useful to examine whether the sensitivity of the foreign lending agencies to favour capital intensive projects set against a national need for an accelerated supply of foreign capital might also have conditioned the urban development organisations in their selection of projects and programmes.

We have earlier observed that the two institutions of city-management did not consciously cultivate the values of cooperation to develop a culture system *per se*. Nevertheless, on account of their indulgence with the same physical space, our city managers could not ignore the need for establishing a functional linkage between their two institutions. The urban development organisations worked on the assumption that the projects after implementation would be taken over by the urban municipalities for maintenance. However, in actual practice, such transfers did not obtain smoothly. The urban municipalities gave diverse reasons to avoid accepting the residual responsibility. We need not recount in this paper the case histories of all the refusals made in this regard. Nevertheless, it is necessary that we state how the urban municipalities had perceived the basic bone of contention.

We have stated that the urban development organisations were busy constructing new infrastructures. The urban municipalities

realised that the transfer of such constructions also entailed an acceptance of all the imperatives of technology which had gone into these, including the organisational structure required for maintenance. The municipalities generally operate through labour intensive maintenance system, while the development organisations have generally sustained a bias in favour of capital-intensive technology. There is some merit in their observed bias in the sense that capital intensive technology makes labour more productive. However, the maintenance of such a system requires a corresponding substitution of labour by machineries, which was a problem that the municipalities found difficult to cope with. There was the problem of handling the issue of labour retrenchment. Then there was the problem of extracting resource from within a generally slender flow of revenue for the purchase of machineries. And finally, the municipalities found out that the recovery of invested capital was difficult to obtain. Capital invested in urban infrastructure could be recovered by levying and collecting the chargeable rates for their use. The computed rates were decidedly beyond the means of a major segment of the urban population on account of their poverty. Naturally, the municipalities felt shy to uphold the assumptions made on their behalf by the development organisations.

#### URBAN MILIEU AND URBAN MANAGERS

Let us now put down pointedly the different themes of the urban reality that we have so far become aware of. This will help us to examine those together and to extract any further meaning of the urban reality that these could suggest conjointly. We have considered either implicitly or explicitly, the following issues:

- (a) the Indian cities house a large number of poor people, who cannot pay for the urban services that they use;
- (b) the same cities also house the wealthier people, who can afford to pay for the use made of the given urban services;
- (c) the urban municipalities, being regulated through public representation, find it difficult to ignore the poorer residents and are required to subsidise the services for them;
- (d) the urban development organisations not having representations from the urban interest-groups, opt for projects that appear relevant to themselves;
- (e) capital appears to be available to the urban development organisation at a lesser cost than the urban municipalities;
- (f) the sensitivity of the foreign lending agencies to capital intensive technology may have conditioned the urban

- development organisations in their choice of technology;
- (g) the urban development organisations have invested primarily to create urban infrastructure, the quality of which appears appropriate only to the richer segment of the urban population;
- (h) under the circumstance, the laws of economics would have normally required the poorer people to leave the city, which, however, does not happen since the urban municipalities subsidise the services;
- (i) the urban municipalities feel shy to accept the responsibility to maintain the infrastructure constructed by the urban development organisations; and
- (j) the richer segments of the urban population have neither restrained the urban municipalities from subsidising the services for the poorer people nor have they reacted against the preferences for capital intensive technology of the urban development organisations.

The above observations, when read together, lead us to the following hypotheses:

- (i) that the social forces sustaining the cities together with the urban municipalities have found their own reasons and also the mechanisms to relegating the urban development organisations in an isolated state ;
- (ii) that the urban development organisations, by institutionalising the above societal rejection of their value-premise, carry a feeling of restlessness and frustration; and
- (iii) that national policy framers together with urban development organisations have not as yet examined how the contrived disjunction between the institutions of maintenance and development has restrained them from re-ordering the urban economy.

The above hypotheses have been presented only to provoke enquiry about the circumstances of frustration of our planners. We believe that they are frustrated as they have not examined the fundamental processes that sustain the given realm. We consider that, in order to appreciate these processes, the urban development organisations are required to examine only the functional base of the continued willingness of the rich and the poor to share the same urban space. We know that they live together. However, we have not tried to see why they do so and in what manner do they maintain their alliances.

## THE LOSS OF MOORING

For a large mass of people living in a city, the need for having an infrastructural support system is obvious. In India, they have required the urban municipalities to provide for such services and also to subsidise the poorer users. In this way, the urban municipalities re-endorsed the willingness of the rich and the poor to live together. This urban society also desires for periodic upgrading of the urban infrastructures as these become defunct in the wake of continued immigration of the poor and the rich into the city. They are now making a most opportunistic use of the contradiction or disjunction subtending between the municipalities and the development organisations, for it provides them with upgraded infrastructure without having to bear the cost of it. Thus, our urban developmental organisations have helped in the perpetuation of the urban realm that they had started with while the cities grew through unabated immigration. They have not changed the realm, which, we consider, was the very primary task that they had accepted as planners.

It is not true that they have not recognised the phenomenon of immigration at all. However, they have done so only in the context of observing its impact upon the declining utility of the given infrastructure. They have not examined it as a process that leads to the emergence of the shared space within cities. They have not looked beyond the statutory boundary of their domain of action and, therefore, have not understood the causes of such immigration, except naively. For the same reason, they have failed to discover any strategic intervention that they could themselves take upon immigration, except naively. In the absence of a nationally endorsed policy on immigration, or, for that matter, on the achievable relationship between the cities and the country, our city-managers lived to ruminate over their own naive understanding and watched helplessly how the meaning of their own statutory boundary was getting eroded through the actions of the urbanizing social forces.

The richer immigrants did not disturb our city-managers, since they found their appropriate niche within the cities. If they had displaced some in the process, they did so by paying a price for the displacement, so to say. But the poorer immigrants came and literally flooded the cities. They also eventually found their appropriate niche, but mainly through encroachment upon public land. This experience has indeed been irksome. Our city-managers have responded to it with the mind of a physical planner. They have repartitioned the public land and have provided sites and services to accommodate the encroachers. However, their efforts in this regard have proved infructuous as immigration continued and new encroaches took

possession of the earlier vacated places. Even police actions to clear the vendors from the side-walks, to cite an example, have not been, effective in many cities. This has indeed been a frustrating experience.

All these, however, have not made them anti-poor. On the contrary, through their slum improvement programmes, they have surely helped the poor. What is perhaps more important to note is that our city-managers, while promoting such programmes got simultaneously caught up by their own contradiction. While they have forcefully argued about the need for slum improvement, they have also recorded how such actions were going to distort the spatial orientation of urban land market and its consequences upon subsequent plan-financing. This means that pervading feeling of our city-managers is that they have probably lost their moorings. And, this is what we consider has been the substantive experience of managing our cities in the post-independence period. □

# *Municipal Supersession and Urban Institutional Development\**

MOHIT BHATTACHARYA

THE PROBLEM of municipal supersession lends itself to varied interpretations, depending on the perspective one takes in analysing the phenomenon. Conventionally, there have been two diametrically opposite views. One view imagines municipal democracy in inviolable terms. The protagonists of grassroot democracy postulate an ideal institutional situation characterised by autonomous municipal government drawing its legitimacy from the local populace. The higher level government, in this view, merely acknowledges the natural legitimacy of municipal government and clothes it with formal legislation. This can be called the 'hands off' theory of municipal government—an offshoot of atomistic individualistic political theory of the nineteenth century.

Another view, by contrast, looks at municipal government as a derived category, not an original one. It is the state that creates municipal government and formally endows the institution with some of its powers, functions and responsibilities. According to this view, municipal government, being the creature of state statute, basically does some of the local functions of the state with delegated powers and resources. This can be called the 'hands-in-glove' theory of local government.

Institutions have their own way of natural evolution within the social, economic and political environment in which they are embedded. Traditionally, the British and French local governments have been considered as polar opposite types. In practice, however, the french system has in recent times shown remarkable relaxation of local control by the state. By contrast, the British system seems to be alarmingly drifting towards centralization.

In the third world context, one has to reckon with many peculiar environmental and constitutional constraints, while trying to build up an explanatory paradigm of state-local relations. The tradition of centralism handed down from the colonial era, the essentially centrist

\*An earlier version of the paper was submitted at the IIPA seminar on, "Status of Municipal Government in India Today", July 29-30, 1983.



constitutional arrangement of governments, the fragmented non-secular social structure, the need for rapid socio-economic development and the imperative of overarching development planning—all these forces tend inexorably to encourage a mix up of levels of governments.

As the state itself is generally insecure in the third world, the overall political situation is rarely conducive to decentralization and local government. The phenomenon of supersession needs, therefore to be examined from a broader angle of institutional development in the third world context. Neither the hands off theory, nor the hand-in-glove theory can sufficiently explain the actual practice of state-municipal relations that is obtaining in India at the present moment. A meaningful discussion of 'supersession' has to be located within the real-life practice of inter-governmental relations in the Indian urban scene.

#### INDIAN EXPERIENCE

Supersession of municipal bodies in India has been such a familiar event that it has virtually been accepted as a natural thing like the onset of summer or the outbreak of monsoon. The states have mercilessly felled down the municipal bodies time and again in wanton disregard of 'local democracy'. It might be an interesting pastime to monitor, from time to time, how many of the three thousand and odd municipal authorities in this country keep on surviving in the face of the continuous head hunting by the state governments.

Surprisingly enough, the phenomenon of 'supersession' has remained the least researched subject in the apparently burgeoning literature on urban research in India. Some writings are indeed available on the laws, procedures and the bureaucratic processes relating to supersession.<sup>1</sup> Reflections on judicial pronouncements on supersession cases are scanty. On global themes such as state control over municipal bodies and state-local relations there are quite a few descriptive studies of the institutional variety. Political studies of supersession are rare, if not totally absent.

Several committees and commissions have echoed the sentiment of the Simon Commission that where spur and rein is needed the government has been given the use of poleaxe. As the poleaxe keeps repeatedly slaughtering the municipal bodies, all that happens now-a-days is the annual assembly of the All India Council of Mayors which bemoans the loss of the dear departed souls and then unfailingly

<sup>1</sup>See, for instance, Partap Singh, "Haryana : Supersession of Municipal Committees", *Economic and Political Weekly*, Vol. VII, No. 15, April 8, 1972; and Ramashraya Sinha, "Supersession of a Municipal Corporation", *Nagarloek*, Vol. VIII, No. 3, July-September 1976.

passes a resolution condemning the state action. Let me quote in this connection the minutes of the 40th meeting of the Executive Committee of the All India Council of Mayors held at Bangalore on May 25, 1981:

The Chairman (Mayor of Patna) initiated the discussion bewailing the apathy of the government and from time to time the powers that be in the matter of supersession. He regretted their callous approach and said that there could not be worst picture of stifling democracy at the grassroot. Several mayors, Shri Ananth Krishna and other ex-mayors of Bangalore deplored the fact that only 16 out of 54 municipal corporations were working with elected bodies. They saw in this a virtual threat to the very existence of the system of local self-government in this country. The State Governments were increasingly taking resort to the new method of eliminating elected bodies by simply allowing their term to expire and to postponing fresh elections *sine die*. Besides, civic bodies were being raised to the status of corporations after doing away with the elected body and the administration entrusted to Administrator or Special Officer or Commissioner for periods that were being extended year after year on one plea or the other. No amount of protest or representations from the Mayors' Council or other organisations was having any effect and two third of the Corporations continued to remain under supersession. Even resolutions of the Central Council of Local Government urging early elections to superseded corporations were not having effect and the Central Government pleaded it was a state subject.

The Mayors, therefore, urged that strong public opinion be created against this undemocratic practice of the State Governments. The Mayors decided that a suitable resolution be moved in the Conference also. The Chairman was requested to make personal approach on behalf of AICM to various State Governments and take up the matter of election of the superseded bodies.

The other platform where supersession cases reach for justice is the judiciary. Administrative and procedural niceties are brought forward by the aggrieved parties to get redress from the courts. It has been the normal judicial practice to insist on the serving of a show-cause notice on the guilty party—the municipal authority, in conformity with the principle of natural justice, before supersession is actually clamped down. The three universal grounds for supersession are:

- (a) *incompetence* in the matter of performance of statutory duties,

- (b) *persistent* default in the performance of such duties, and
- (c) *excesses or abuse of powers*.

In all three matters, it is the opinion of the government that matters. If "in the opinion of the government" the charges are proved, the municipal authority is forthwith superseded.

In a few instances, the municipal bodies have won their cases against the State Governments. But the judiciary has generally stuck to the question of law and procedure and the fairly consistent stand has been that "except when malafides are clearly proved that opinion (of the state government) cannot be questioned, it is not open to this Court to substitute its opinion as the council of appeal for that of government."<sup>2</sup>

In a supersession case relating to the Nagpur Municipal Corporation, the Supreme Court held:

In a writ application the Court will not review the facts as an appellate body. But the order is liable to be set aside if no reasonable person on a proper consideration of the materials before the State Government could form the opinion that the Corporation is not competent to perform, or persistently makes default in the performance of the duties imposed on it by or under this Act or any other Law for the time being in force, or exceeds or abuses its powers. Likewise the order is liable to be set aside if it was passed in bad faith or if in a case which was not one of emergency, due opportunity to show cause was not given to the Corporation.<sup>3</sup>

Of the three principal grounds of supersession incompetence in performance or functional incompetence is obviously a very sweeping expression. The legislative provision does not explain the meaning of the term, nor does it give illustrations to guide executive action. The expression 'persistent default' presupposes: (a) periodic monitoring of municipal performance by the state government, and (b) issuance of occasional cautionary statements by the state government to enable the erring municipal body to correct performance. The other expression—"excess or abuse of power" is again a very wide-ranging provision amenable to flexible and diplomatic interpretations.

<sup>2</sup>Quoted in P.A. James, "State Control through Supersession and Dissolution" in S.K. Sharma and V.N. Chawla (eds.), *Municipal Administration in India: Some Reflections*. International Book Co., Jullundur, 1975.

<sup>3</sup>Quoted in Mohit Bhattacharya, *Municipal Government : Problems and Prospects*, Delhi, 1975, p. 84.

In short, the municipal Acts in India have fully retained the uncanalised powers of the executive dating back to the old colonial epoch. Usually, a supersession order contains all or nothing—a long list of charges ranging from the trivial to the sublime! The grounds of supersession of the Jaipur Municipal Council in Rajasthan may serve as an illustration. The charges framed were as follows:

1. The Municipal Council failed to submit the budget estimates for the year 1962-63 within the prescribed time limit and had also not submitted the budget estimates for 1963-64 for the approval of the government so far.
2. The amount advanced for the purchase of wheel barrows was diverted towards the payment of salaries to staff and had not been used for the purpose it was sanctioned.
3. The amount of provident fund of the municipal employees had similarly been disbursed against the provisions of the rules.
4. The amount of securities deducted from the running bills of the contractors had also been spent on the disbursement of salaries of the staff.
5. 68 persons were appointed without the administrative sanction of the state government.
6. 213 posts in excess of the budget provisions were created and appointments were made thereon in contravention of the provisions of the said Act.
7. Salaries had not been paid to the municipal employees in time and regularly.
8. No effective steps were taken to dispose of the appeals of assessment of house tax which resulted in loss to the municipality.
9. No effective steps were taken to increase the resources of the municipality and no checks were exercised to prevent the expenditure.<sup>4</sup>

#### POLITICS AS INTERVENING VARIABLE

The grounds cited above could have been advanced against every municipal body. Selectively, however, Jaipur became the target of attack. Municipal bodies anywhere in India at any point of time could be proved guilty of any of these charges: diversion of funds, appointments given without state sanction, deteriorating sanitary conditions, inability to take effective steps to raise more resources.

<sup>4</sup>Quoted in Hoshiar Singh, *State Supervision Over Municipal Administration — A Case Study of Rajasthan*, New Delhi, Associated Publishing House, 1979, pp. 97-98.

Jaipur was superseded at a time when the Council was in the hands of the Jana Sangh. As one legislator spoke on the floor of the House: "The Municipal Council has been superseded for political reasons . . . The Bombay City Corporation was not superseded for such ulterior motives though the majority of members in the Corporation consisted of those who belonged to the party opposed to the State Government. But in the case of Jaipur Council, which had a hostile majority and was sympathising with those who belonged to the opposition in the Vidhan Sabha, it was kept under supersession. This was done with a view to depriving the opposition of an important municipality."<sup>5</sup>

It happened in Kota Municipality as well. During the debate on the issue in Rajasthan Vidhan Sabha, it was reported that as Jana Sangh came to power in the Municipal Council, the Government Departments of Water Works and Electricity sent arrears demand notices of several lakhs of rupees outstanding against previous Councils, and threatened to discontinue connections in case of default in payment. The government exempted several industries in Kota from payment of octroi tax in a bid to financially weaken the municipality.<sup>6</sup>

The story is much the same in most other states as well. For instance, in Uttar Pradesh all the Corporations were superseded in 1966 when the ruling party at the state level did not have a majority at the Mahapalika level. Again in 1973, when the state government decided to appoint administrators and avoid elections, the ruling party at the state level did not enjoy a majority in any of the KAVAI towns.<sup>7</sup> The Corporation towns in Madhya Pradesh have had similar experience and the recent elections to these towns have amply demonstrated the keen competition among the major political parties to keep the Councils in their hands.

#### POLITICS OF INTER-GOVERNMENTAL RELATIONS

Municipal supersession, in the light of what has been stated above, can be profitably studied as the politics of inter-governmental relations at the urban area level. Openly, the phenomenon looks like a tussle between two contrasting parties occupying two centres of power. In a hierarchic system of areal division of powers, the higher level government seeks always to call the tune and reduce the lower level government to a secondary, subservient position. Even when the same party holds power at both state and local levels, the local body is statutorily subservient to the state. When electoral politics

<sup>5</sup>Legislative Proceedings quoted in Hoshiar Singh, *op. cit.*, p. 107. (As from April 1984 Bombay Municipal Corporation stands superseded—*Jt. Editor.*)

<sup>6</sup>*Ibid.*

<sup>7</sup>Om Prie Srivastava, *Municipal Government and Administration in India*, Allahabad, Chugh Publications, 1980, p. 71.

creates a disjunction between the two levels, the higher level considers this as a threat to its power, and takes all possible means—administrative, financial, and political—to erase the political existence of the opposition at the local level.

City government in India has very limited powers of autonomous decision-making and the sources of revenue do not match up to the rising demands of the electorate for essential civic facilities. Also, the Corporation set-up, peculiarly enough, has a state-appointed chief executive who plays the dual role of the top city manager and a confidante of the state government. Plagued by chronic financial crisis and disturbed internally by divisive political and bureaucratic forces, the city governments fall swiftly like nine pins without anybody shedding tears over the death of a local democratic regime.

On the face of it, supersession seems explainable in terms of vertical political conflict. But, instances of supersession of municipal bodies belonging to the same party which wields power at the state level are not rare. Cases of opposition parties ruling at the local level may also be cited as instance of accommodation by the ruling party at the state level. Analysis based on simple one-to-one relationship between the parties at two levels is inadequate to take account of the different styles of inter-governmental politics in vogue in the Indian states. A faction-ridden state party seems to encourage factional politics at the municipal level. Contrastingly, a solid, unified state political leadership appears to have a unifying effect on local politics as well.<sup>8</sup> Hypothetically, faction-ridden city politics is likely to create conditions for supersession, relative to a situation of unified politics.

Legitimacy of a city government in the sense of wide public acceptance of the group in power may render supersession difficult by the higher level government. There are not many studies available on the power structure of Indian cities. To quote a few instances, Oldenburg is hesitant "to postulate a monolithic or polyolithic power structure in Delhi not only because economic and social interests have few visible organizations (and the economic and social structure is a highly fragmented one), but also that kind of a structure does not seem to be a 'native' category: people in Delhi do not talk in those terms".<sup>9</sup>

<sup>8</sup>This seems to be the inference that can be drawn from Rosenthal's study of Agra and Poona. See Donald B. Rosenthal, "Administrative Policies in Two Indian Cities", *Asian Survey*, 6(4), April, 1966.

<sup>9</sup>Philip Oldenburg, "Indian Urban Politics: Citizen, Administrator, and Councillor in Delhi", Paper presented at the Annual Meeting of APSA, September 7-11, 1971.

While studying Indore politics, Rodney Jones followed a different model. To quote Jones:

Preliminary knowledge about Indian politics suggested that both elite and pluralistic power models might be applicable to the Indian city. The sharp inequalities of wealth and caste status that characterise Indian society might lead one to expect an elite power structure of businessmen or of a dominant caste. On the other hand, the very pluralism of caste—given vertical differentiation among caste groups in the highest social strata—would lead one to expect plural, competing elites or a polyarchic model. Both hypotheses were entertained at the outset of my research in Indore. It is worth noting that among those I interviewed there were respondents who both grasped the basic question “who really runs the city?” and outlined in their answers a ruling elite model. Others responded with the elements of a polyarchic model, and still others with a more egalitarian and participatory model. The responses, however, tended increasingly to support the hypothesis of a polyarchic model, one of competing elites and dispersed inequalities. This finally became my working hypothesis.

Jones identified four types of elites: (1) elites of wealth (*e.g.*, industrialists, merchants, etc.), (2) political leaders, (3) government officials, and (4) prominent professionals. The other interesting findings are:

- (a) The urban political system appeared to be linked to a larger political system as a subordinate subsystem with only partial autonomy; and
- (b) Indore City politics appeared polycentric because of the differentiation of the urban political system among several more specialised political arenas or subsystems (*e.g.*, other government agencies, specialised bodies, trade unions, etc.).<sup>10</sup>

All this might look like an unwanted digression. But a deeper analysis of the politics of state take-over is possible only by understanding the political power structure at the city level and its horizontal (city level) and vertical linkages. The phenomenon of supersession is essentially related to the issue of ‘who takes decisions on municipal affairs’. In normal times, the Indian state decides partially, in supersession, wholly. The state is not an abstraction. It represents the social forces dominant at a particular point of time. The institu-

<sup>10</sup>See Rodney W. Jones, *Urban Politics in India*, New Delhi, Vikas Publishing House, 1975.

tions through which social values are 'authoritatively allocated' are sought to be captured by the dominant social forces. Supersession is only one form of capture. Other forms are the creations of special purpose bodies such as development authorities, improvement trusts, etc., which can be found in plenty in most of our large cities. The politics of municipal supersession should, therefore, be studied along with the politics of institution-building (or institution-wrecking?) in urban India.

Also vertical political linkage is sought to be forged through imposition of supersession. The logic of President's rule clamped down on the states by the central government from time to time applies equally well to the municipal situation. Competition among political parties to capture municipal government is a reality in contemporary urban India. Municipal government is a useful instrument for building up and nursing local constituencies. The civic services can be deftly manipulated in the interest of party—building at the municipal level. Control over the big city governments like Bombay, Calcutta or Delhi also serves to brighten the image of a political party. So the party in power at the state level is prone to superseding an opposition-dominated municipal government or to postponing municipal elections indefinitely.

Legal pundits have suggested changes in municipal law to guard against wanton supersession and its indefinite continuation. Actually, the new Calcutta Municipal Corporation Act, 1980 has made some imaginative provisions in this regard.<sup>11</sup> No doubt there is room for innovative legislations to put state-municipal relations on sounder footing. Legal loopholes need surely to be plugged to make supersession a matter of last resort. Municipal laws should be suitably amended to forbid malafide state action and indefinite continuance of supersession.

## CONCLUSION

A *political* disease can hardly be cured by *legal* remedies. Municipal supersession, as is widely known, is essentially political in nature. The political culture of the developing third world is generally opposed to political pluralism and competitive politics. Institutional differentiation tends to be thwarted by the steady trend toward political homogenisation. The 'autonomy' of municipal institutions or its eclipse is inextricably connected with the evolving political culture of the third world.

<sup>11</sup>For details see Appendix to this paper.



## Appendix

*Report of the Study Group on Constitution, Powers & Laws of Urban Local Bodies and Municipal Corporations*, Ministry of Works and Housing, Government of India, New Delhi, 1983

An independent Tribunal should be instituted to examine: (a) the breakdown of local government machinery arising out of: (i) failure on the part of the council to pass the budget, (ii) to elect the Mayor/the Chairman, and (iii) failure to elect the Statutory Committees, and (b) to investigate and give its verdict within a month in regard to the measure government should adopt.

The Tribunal shall be a one-man Commission headed by a sitting or a retired High Court Judge. No city corporation shall be superseded for more than 6 months in first instance, and the extension shall not exceed a period of six months, after which the elected council shall be restored.

*The Calcutta Municipal Corporation Act, 1980 (Sec. 117)*

If, in the opinion of the State Government, the Corporation has shown its incompetence, or has persistently made default, in the performance of the duties or in the exercise of the functions imposed on it by or under this Act or any other law for the time being in force, or has exceeded or abused its powers, the State Government may by an order published in the Official Gazette, and stating reason therefore, declare the Corporation to be incompetent or in default or to have exceeded or abused its powers, as the case may be, and supersede it for such period not exceeding twelve months as may be specified in the order.

Before making any order under sub-section (1),--

- (a) a notice shall be given by the State Government to the Corporation calling upon it to submit representation, if any, against the proposed order within such period as may be specified in the notice;
- (b) on receipt of such representation, if any, the State Government shall constitute a committee consisting of not more than five persons and shall forward the representation to the committee for its consideration and report within such time as the State Government may determine; and
- (c) the State Government shall consider such representation and such report.

The members of the Committee referred to in clause (b) of sub-section (2) shall be nominated by the State Government.

Notwithstanding anything contained in sub-section (1) or sub-section (2) if, in the opinion of the State Government, the Mayor having lost the support of the majority of the members of the Corporation, the Corporation is unable to function in accordance with the provisions of the Act, the State Government may, by an order published in the Official Gazette, supersede the Corporation for such period not exceeding twelve months as may be specified in the order.

The State Government may, if it considers necessary to do so by order extend or modify from time to time the period of supersession under sub-section (1) or sub-section (4), provided that the aggregate period of such supersession in either case shall not exceed eighteen months. ☐

## *Urban Development in an Industrial City: A Case of Kanpur Metropolis*

R. K. AWASTHI

KANPUR URBAN agglomeration has grown out of a few ancient and old villages of old Kanpur, Patkapur, Kursawan and Sisamau.<sup>1</sup> The nucleus of the modern industrial city of Kanpur was provided between the year 1773 and 1801 A.D. when the city was the headquarter of the army of Nawab of Oudh. In 1778 the British army cantoned at Faizpur Campoo in Hardoi district moved to Kanpur as per 'Faizabad Treaty' of 1773.

At present the areas occupied by the civil lines and Cantonment extended from Jajmau in the East of Bithoor between the river Ganga and Pandu were covered by dense forests until a few centuries ago.<sup>2</sup> It acquired the top position in United Provinces with 487,324 souls in 1941 and has been retaining the same ever since.<sup>3</sup> The city attained the status of a 'Million City' in 1971 with 1.28 million population and today it is among the 12 major cities of India with more than 1.6 million population and ranks eighth among them.<sup>4</sup>

Kanpur City, a nodal point in India's transport network and commercial and industrial capital of the most populous state of Uttar Pradesh stands in fertile central plain of the Upper Ganga Valley on the right bank of the river Ganga at the height of 415 m. above the MSL approximately in 26° 28N latitude and 80° 21E longitude.<sup>5</sup> It is 435 Kms. South-East of Delhi, and 192 Kms. to the

<sup>1</sup>D.N. Majumdar, *Social Contours of An Industrial City*, Bombay, Asia Publishing House, 1960, p. 10.

<sup>2</sup>L.K. Tripathi and N.P. Arora, *Kanpur Ka Itihas* (Hindi), Kanpur, 1945, p. 3.

<sup>3</sup>*Census of India 1961*, Uttar Pradesh, *Special Report on Kanpur City*, Vol. XV Part X, p. 7.

<sup>4</sup>*Census of India 1971*, Uttar Pradesh, Part II-A (i) *General Population Tables*, 1975, pp. 434-37; *Census of India 1981*, *Provisional Population Tables*, Series I, Paper 2.

<sup>5</sup>*The Imperial Gazetteer of India*, Cawnpore, Vol. IX, London, Oxford University, 1908, p. 315.

north-east of Allahabad and 72 Kms. south-west of Lucknow.<sup>6</sup>

Since the later half of the 19th century Kanpur plunged into the main stream of industrial development. The East India Company expanded its activities of commerce and industry. Factories of Indigo manufacture and cotton ginning came up.

After the establishment of permanent district headquarter in 1819, construction of Court buildings, the Jail and Treasury buildings was started in Nawab Ganj. The city gradually started expanding along the southern boundary of the western half of the cantonment. By the year 1840 the cantonment stretched along the river Ganga from Kanpur Kohna to Jajmau containing the Magazine, European Central Hospital, Customs House, British Infantry Lines and a Race Course. Beyond the cantonment on the extreme West Civil Station was located at Nawab Ganj making the city with an hypertrophied cantonment and atrophied civil area.

The municipality in Kanpur was first established on November 22, 1861, under the chairmanship of a District Magistrate. Municipality had its beginning with an ambitious road construction programme and an open market was constructed at Collector Ganj in 1869.<sup>7</sup> The first drainage scheme in the city was launched in 1872 and it received the benefit of protected water supply in 1892. The Kanpur Electric Supply and Traction Company was established in 1906 and the street electric lighting replaced the traditional lamp posts in 1909.<sup>8</sup>

The construction of important roads, i.e., the Grand Trunk Road and Kalpi Road connecting the city with important towns was taken up in 1832. Through rail traffic between Bombay and Calcutta was established in 1866. The construction of Ganga Bridge in 1875 established direct link with Lucknow. The direct rail link with Bombay was effected in 1888. Resultantly, the city began to enjoy the advantage of good means of communication. The introduction of telephone in 1891 accelerated the general progress by making long distance conversation possible. These developments facilitated the process of modern industrial growth and expansion of trading and commercial activities in the city.

The Government Harness and Saddlery Factory was the first largest factory to be set up in the city in 1863.<sup>9</sup> Later on the Elgin

<sup>6</sup>*Census of India 1961, op. cit., p. 1.*

<sup>7</sup>F.N. Wright, *Cawnpore*; A Atkinson, *Historical and Descriptive Account of the North West Provinces of India*, Vol. VI C, Allahabad, North West Provinces Press, 1882, p. 231.

<sup>8</sup>H.R. Nevill, *Cawnpore—A District Gazetteer*, Allahabad, Government Press, 1909, pp. 271-72.

<sup>9</sup>*Ibid.*

Mills in 1864, the Muir Mills in 1874, the Cooper Allen & Company in 1880, the Cawnpore Sugar Works in 1894, the Cawnpore Cotton Mills in 1882, the Cawnpore Brush Company and the Engineering and Cycle Company in 1895 and the North West Tannery in 1900, were the major industrial units which were set up by the end of 19th century. The momentum of industrialisation continued in the beginning of the present century. The Unnao Sugar Works, and the Ganges Flour Mills were established in 1906.<sup>10</sup>

Leather, Cotton and Woollen factories were located in the vacant area of the city as the land was cheap and the river Ganga afforded the facilities of navigation. The construction of railway station in the south of the city gave rise to ginning presses in that area.<sup>11</sup>

On account of accelerated growth and development of industry and trade, the city attracted streams of immigrants searching for livelihood in industry, trade and allied activities. Consequently the city passed through irregular and haphazard growth. Unlike the port cities of India, having a blend of Indo-European urban traditions, Kanpur does not follow the urban pattern demonstrated by them, due to different types of lay outs and buildings.

The increase in the number and variety of industrial units added chimneys emitting black soot and smoke and the consequent overcrowding created insanitary conditions. The old industrial areas became jumbled up in slums. Unplanned narrow streets, and closely built structures characterise the old and central part of the city in contradiction to what is seen in modernised civil lines, new residential areas, railway colonies, and cantonment beyond the city proper. The areas developed recently on the other hand, have been planned having in view the specific functions they have to perform.

The city is rectangular in shape protruding on the southern side. Its northern boundary extends along the Ganga for most of its length, except towards the extreme west where it leaves the river. On account of large extension of urban limits, the physical development of the city characterises its dual features of old and new by uneven density distribution between the old congested city and civil lines and railway colonies.

### KANPUR URBAN AGGLOMERATION

In the 1971 census, Kanpur town-group was declared as an 'Urban Agglomeration', consisting of Kanpur Municipal Corporation,

<sup>10</sup>Nevill, *op. cit.*, p. 277-83.

<sup>11</sup>U. Singh, "Origin and Growth of Kanpur", *National Geographical Journal of India*, Varanasi, 1952, Vol. V (i), p. 5-7.

Rawatpur Station, Central Railway Colony, Kanpur Cantonment, Armapur Estate, Chakeri, Northern Railway Colony and Indian Institute of Technology, Kanpur.

The Juhi Notified area which had a population of 54,052 in 1941 was merged in Kanpur Municipality in 1951. In 1951 and 1961 census Armapur Estate was a part of Kanpur Cantonment and in 1971 census it appeared as an independent town. Northern Railway Colony which was a part of the Kanpur Municipality and Kanpur Corporation in the year 1951 and 1961 respectively has been treated as an independent town in 1971 census. Chakeri too which was a part of Kanpur Cantonment in 1961 has also been treated as an independent unit in 1971 census.<sup>12</sup> The following Table 1 gives some notable facts about the growth of population and percentage variation from 1951 to 1971 of each of the town of the city.

TABLE 1 DISTRIBUTION OF POPULATION IN KANPUR URBAN AGGLOMERATION BY NUMBER AND PERCENTAGE VARIATION BETWEEN 1951-61 AND 1961-71

Town Groups	Population					
	1951	1961	%VN	1961	1971	%VN
(a) Kanpur M.C. Rawatpur Rly. Stn., Central Rly. Colony	6,38,734	8,83,815	+38.37	8,83,815	11,58,321	+31.6
(b) Kanpur Cantt.	45,158	56,830	+25.85	56,830	6,01,452	+22.21
(c) Armapur Estate	11,123	15,284	+37.41	15,284	17,946	+17.42
(d) Northern Rly. Colony	10,368	11,291	+ 8.20	11,291	17,410	+54.19
(e) Chakeri	—	3,842	—	3,842	6,475	+68.53
(f) I.I.T.	—	—	—	—	5,628	—

SOURCE: (i) *Census of India 1961*, Uttar Pradesh Shewal Report on Kanpur City, Vol. XV, Part X, 1965, p. 7.

(ii) *Census of India 1971*, General Population Tables, Part ii-a (i) 1975, p. 249-50.

It is evident from the above table that all the towns of the Kanpur urban agglomeration witnessed increase in their population in the decades 1951-61 and 1961-71. The area of Indian Institute of Technology was incorporated in Kanpur urban agglomeration in 1971 census as already stated earlier. Among the other areas, the Chakeri town has the highest growth rate followed by the Northern Railway Colony in the decade 1961-71. In the remaining areas growth rate has declined as compared to previous decade.

Kanpur has always maintained a commanding position among the

<sup>12</sup>*Census of India 1971, op. cit.*, p. 250.

cities and towns of Uttar Pradesh. It had its beginning as the eighth city of India in terms of population at the turn of the century and maintaining the same ever since but as a much larger and bigger urban centre of more than 1.6 million population.<sup>13</sup>

#### POPULATION GROWTH

After the establishment of permanent headquarters of the district in 1819, Kanpur became an important trade centre inspiring a large number of traders and artisans to come and settle in the city. The 1857 uprising witnessed a decrease in its population as a result of turbulent situation of the city.<sup>14</sup> In the later half of the 19th century modern industrial units were set up by the British mercantile community to meet the requirement of the British army camp which brought the immigrants over-crowding. However, the recurrence of famine and epidemics, *e.g.*, plague, cholera and malaria reduced the population by 24,240 persons during the decade 1901-11 reducing its rank to twelfth in undivided India. The next decade, *i.e.*, 1911-21 recorded a moderate increase in the population of the city.

The first world war gave fillip to hectic industrial activities related with leather goods, cotton and woollen textiles and ready-made garments. Resultantly, Kanpur experienced 21.2 per cent increase in its population. Intermittent period of two world wars brought in a large influx of population doubling the number during the decade 1931-41 with an unprecedented increase of 99.9 per cent bringing its total to 487,324 persons.<sup>15</sup>

There was a great boon in industry to meet the requirements of various theatres of war in 1939. The position of the city in terms of population thus rose to seventh and came down to eighth after independence in 1951 and retains the same ever since, with an added distinction of being a Metropolitan City.

At the advent of the independence the partition of the country brought its share of refugees to Kanpur and added to its total number of persons. Thus 1941-51 decade registered 44.7 per cent increase in city's population. Since then growth variation is showing a declining trend, *i.e.*, 37.6 per cent in 1961, 31.1 per cent in 1971 and 27.7 per cent in 1981.<sup>16</sup>

<sup>13</sup>Census of India 1981, *op. cit.*

<sup>14</sup>Census of India 1961, *op. cit.*, p. 7.

<sup>15</sup>Census of India 1961, *op. cit.*, p. 6.

<sup>16</sup>Census of India 1981, *op. cit.*

## INDUSTRIAL DEVELOPMENT

Since the beginning of the 20th century the category of manufacturing industry has been the major component of employment structure. Before the advent of modern industry in the city, the cottage industry, *e.g.*, manufacturing of country cloth, printing of fobrics, making of utensils from brass and other metals, making of glass bangles and processing of tobacco were located in the town and its surroundings.<sup>17</sup>

In the later half of the 19th century, the modern industries, *e.g.*, leather, woollen and cotton manufacturing units were established in the area lying between the river Ganga and city proper where the land was cheap and the river afforded the facility of navigation. The river front and the central portion of civil station formed an important industrial zone. The other most important industrial zone was the area south of Cooper Ganj. All the large factories of the 20th century except the J.K. Rayon, sprang up in the area which enjoys the proximity of the railway tracks of the northern and north-eastern railways. Kanpur, the centre of textiles industry, became the Manchester of India.

In the first thirteen years of the century, prior to the outbreak of World War II, the city witnessed the establishment of two important factories, *i.e.*, the Army and Police Equipment Factory in 1901 and the Prime. Products Ltd. in 1911. World War I gave fillip chiefly to the industries of leather goods, woollen and cotton textiles and ready-made garments. To meet the increasing demand of cotton textiles, Swadeshi Cotton Mills Co. Ltd. was established in 1921, Kanpur Textiles in 1922 and Atherton West & Co. Ltd. in 1923.<sup>18</sup>

On the cessation of war demand for goods rapidly declined and production shrank. After 1930 the depression lifted and trade and industry began to recover. In the intermittent period of two world wars, two more big industrial units, the Maheshwari Devi Jute Mills Co. Ltd. in 1936 and Kanpur Chemicals in 1938 were added. The Laxmi Ratan Cotton Mills and J.K. Spinning and Weaving Mills were established in 1940. The number of registered factories from 90 in 1931 increased to 176 by the end of 1945. After independence J.K. Rayon Factory and Indian Explosives were established each of which provided employment to more than 1,500 persons.

Since 1951, there has been constant increase in the number of registered industrial units. The percentage increase of the industrial

<sup>17</sup>Nevill, *op. cit.*, p. 277.

<sup>18</sup>Census of India 1961, *op. cit.*, pp. 39-40.



units from the year 1962 to 1976 is given in Table 2.

TABLE 2 DISTRIBUTION OF REGISTERED INDUSTRIAL UNITS BY CATEGORY AND NUMBER IN 1962 AND 1976

Category	Number of Units		
	1962	1976	Percentage increase
Textile Mills and Allied Units	37	46	19.57
Wood and Wood Works	11	29	41.38
Printing and Publishing	19	48	60.42
Leather and Leather Pro.	37	48	22.92
Chemical and Chemical Pro.	47	58	18.96
Metal and Metal Mfg.	34	46	20.09
Fertilizer	—	1	—
Electrical Accessories	12	19	36.34
Pharmaceuticals	—	4	—
Miscellaneous	107	250	57.20

SOURCE: Directorate of Industries, Government of Uttar Pradesh, Kanpur, 1976.

The increase in the number of industrial units figuring in the above table are smaller units by value of their production and organisation and as such they are not employment intensive. The outstanding feature of the industrial structure of the city is the dominant position of the cotton textile industry which accounts for about 60 per cent of the total employment in the large manufacturing establishments. The other important industries are tanneries and leather products, metal and metal manufacturing. A number of new industries, namely, rubber goods, plastic products, heavy chemicals, hardware and machine tools, etc., are recent additions.

#### DEMOGRAPHIC STRUCTURE

The employment pattern provided by industrial development determines the demographic structure of an industrial city. The city of Kanpur owes its masculine character mainly to the fact that more than 60 per cent of the population is composed of immigrants. Among them 40 per cent come from the neighbouring districts of Unnao, Rae Bareli, Fatehpur, Farrukabad and Pratapgarh, etc. The sex ratio in the year 1901 was 770 females per 1000 males and reduced to all time low, i.e., 640 or less females per thousand males in the year 1942-43—the peak year of industrial employment at the time of World War II. The male-female ratio took an spurt, i.e., 699 in 1951 to 762 females

per 1000 males in 1971.<sup>19</sup> After a decade the sex ratio further narrowed to 810 females per 1000 males.

On the basis of the facts mentioned above it can safely be assumed that more than one lakh men in the city are living without their spouses. Consequently, they give rise to the multitude of social evils as majority of them belong to the age-group of 20-50 years. This is mainly on account of lack of accommodation. Therefore, it needs immediate attention of the voluntary agencies and statutory bodies to encourage and provide men to settle in the city with their spouses.

Continuous increase in population and lack of living accommodation for weaker section of urban community have created congestion. The land under residential use in the city is around 12 per cent of the total municipal area and 46.5 per cent of the total developed area. It indicates great disparity in density pattern of the city. The density varies from 489 persons to 1,45,000 persons per sq. km. Ward numbers 7, 8, 10 and 11 covering the areas of Mool Ganj, Lathi Mohal, Pheel Khana, Patkapur and Roti Godam are the worst victims of congestion. Lower density pattern is witnessed in the outer parts of the city covering cantonment, Armapur estate, Chakeri and COD.<sup>20</sup>

The low density, i.e., 4,265 persons per sq. km. on an average as compared to 7,232; 7,180; 6,243 and 6,376 per sq. km. in Agra, Varanasi, Allahabad and Lucknow respectively, in spite of larger population is due to inclusion of comparatively larger area in Kanpur after the formation of Nagar Mahapalika (Municipal Corporation) in 1960.<sup>21</sup>

#### HOUSING FACILITIES

According to 1971 census, in Kanpur city there were 2.21 lakh households against 1.62 lakh occupied census houses. In this way there is still shortage of 60,000 houses.<sup>22</sup>

Various housing schemes launched by various agencies to provide dwellings to the inhabitants of the city have failed to do the needful on account of continuous immigrations and fragmentation of families. The natural growth of population has also contributed its share. In post independence India the mortality rate has been declining due to advancement in medical sciences and improved health services. But the poor families have to live either in slums or in Ahatas or in the ruined buildings of the central city.

<sup>19</sup> (i) *Census of India 1961, op. cit.*, p. 20.

(ii) *Census of India 1971, op. cit.*, p. 434-37.

<sup>20</sup> *Census of India 1971, op. cit.*, p. 434-37.

<sup>21</sup> *Census of India 1961, op. cit.*, p. 7.

<sup>22</sup> *Census of India 1971, op. cit.*, p. 434-37.

In the sphere of housing, Kanpur is the most congested city where 62 per cent of the families live in one room tenement. In the central city the density of houses is found to be maximum, i.e., 150 to 250 houses per acre. In the areas covering Kidwai Nagar, Nawab Ganj, Govind Nagar, Fazal Ganj and Lajpat Nagar house density varies from 50 to 100 per acre. The outer zone of the city has the lowest density, i.e., 10 to 50 houses per acre.<sup>23</sup> It is due to the fact that urban housing schemes in the city have failed to keep pace with increasing need of accommodation.

The tenement census of 1931 and the enumeration of census houses at the time of 1961 and 1971 census have brought out some notable facts about the occupancy pattern of rooms by households. Some facts in connection with the same are given in Table 3:

TABLE 3 PERCENTAGE DISTRIBUTION OF HOUSEHOLDS BY  
NUMBER OF ROOMS OCCUPIED IN SELECTED YEARS

Number of rooms occupied	Percentage of households		
	1931*	1961*	1971†
No Regular Room	N.A.	1.0	0.1
One Room	62.5	62.4	59.6
Two Rooms	24.8	23.7	27.0
Three Rooms	7.9	6.9	7.1
Four Rooms	2.9	3.1	3.3
Five Rooms and above	2.3	2.9	3.0

SOURCE: \**Census of India 1961*. Uttar Pradesh, Special Report on Kanpur City, Vol. XV, Part X, 1965, p. 35.

†*Census of India 1971*, Housing Table, Vol. V-B, 1974, pp. 205-206.

The above facts reveal that there had been very slight variation in the percentage of households occupying one room in the span of 30 years. One special study, conducted jointly by Kanpur Municipal Corporation and Town and Country Planning Department in Uttar Pradesh in 1978, confirms that living conditions particularly in slum areas of the city are worst.

In large cities living in rented houses is a rule and owned houses is an exception. The percentage of rented houses is the highest in Bombay, i.e., 85.55 per cent followed by Kanpur with 83.28 per cent. Resultantly, the house rents in Kanpur are sky rocketing and absorb 30 to 50 per cent of the income of many families.<sup>24</sup> Economically weaker people

<sup>23</sup>Kanpur Development Authority, *Integrated City Development Plan 1976-81*.

<sup>24</sup>Editorial, *Hindustan Times*, New Delhi, June 24, 1976.

cannot afford such high rents and they are compelled to live "in chaotically occupied, unsystematically developed and generally neglected areas which are over-populated by persons and overcrowded with ill repaired and neglected structures."<sup>25</sup> Rural migrants from various parts of the country come and settle in such squalid living conditions, constructing make-shift structures of mud and brick walls, with roof made of scrap and straw mats.

Unlike slum dwellers of Ahmedabad, Bombay, Calcutta and Hyderabad, the slum dwellers of Kanpur are not even provided with minimal civic utilities like lighting, drinking water and toilets, etc. Resultantly, they had not only to share common and traditional lavatories but had to use open drains and spaces in the vicinity of their hutments.

The efforts to provide facilities, for slum improvement like accommodation and other civic utilities have been made by state as well as by central governments through various schemes since 1956. But continuous immigration, natural growth of population and fragmentation of families have nullified the efforts made by various agencies including industrial houses. Consequently, they get very limited accommodation to live in and majority of them dwell in single room tenements.

The city of Kanpur has the second largest percentage of families, i.e., 62 who live in single room tenements, in cramped camps, with inadequate lighting, no privies, open and over-flowing drains, rotting garbage and excreta.

According to Kanpur Municipal Corporation, about 60 per cent of industrial workers, on account of scarcity of accommodation, reside in Ahatas mostly situated near industrial areas, in congested localities, where the density of population is more than 3,200 persons per acre. Many more persons dwell in 'bustees' in temporary hutments along the road sides and railway lines passing through the city. According to sources close to the Kanpur Development Authority more than 5 lakh people still live in various types of slums in the city. The break-up of slum dwellers is given in Table 4 below:

TABLE 4 DISTRIBUTION OF POPULATION BY TYPE OF SLUMS  
(1978)

Type of Slums	Population (Nos.)	Percentage
Ahatas	259,552	51.59
Bustees (old slums)	158,511	31.51
Abadis and villages	40,580	8.07
New slums	44,437	8.83

NOTE : Based on information provided by the Kanpur Development Authority.

<sup>25</sup>Kanpur Master Plan, Vol. I-A, 1969, p. 296.

Table 4 testifies that more than 83 per cent of the slum dwellers in Kanpur city still live either in Ahatas or in old slums in inhuman and squalid living conditions. New slums are also coming up on road sides and on the vacant space along the railway lines. This menace needs to be checked forthwith.

Among the slum dwellers of Kanpur city majority of them fail to earn even for their basic necessities like food and clothing. Their earnings are between Rs. 250-350 per month which is quite insufficient to fulfil their daily requirements. Fourteen per cent of the households among the slum dwellers are employed in textile mills who have an income of Rs. 400 to 1000 per month. But on account of big size of their families, and drinking and other vicious habits the earnings fall short of their requirements.

Since 1956 various schemes, e.g., slum eradication, slum improvement, slum upgradation and site and service schemes have been initiated with the help of various agencies including the World Bank. The slum upgradation scheme for 20,000 families, with the financial assistance of World Bank is in progress.<sup>26</sup> The Government of Uttar Pradesh has also sanctioned an amount of Rs. 95 lakhs to Kanpur Development Authority for 18 Ahatas of the city with the hope that the development authority will construct 5,167 houses by the end of March 1984. It is also expected that by the end of 1983-84, two thousand more houses will be ready with the help of Housing and Urban Development Corporation.<sup>27</sup>

Kanpur Development Authority (KDA) till 1974 built 15,455 dwelling units in the city, mostly for labourers. By the year 1982-83 KDA constructed mere 17,125 houses, of these 3,910 were constructed during 1982-83, about 80 per cent of new constructions being for economically weaker section (EWS) of the urban society. The development authority in all has implemented 15 schemes for which a loan of Rs. 6 crores was received from HUDCO. An area of 112 acres was also developed. The total expenditure incurred by KDA in the year 1982-83 was Rs. 27.99 crores, of which about 9.69 crores were spent on construction and Rs. 48.65 lakhs on acquisition of land.<sup>28</sup>

The World Bank aided Kanpur Urban Development Project costing Rs. 41.35 crores proposes to develop 15,000 plots on site and service schemes with an estimated expenditure of Rs. 19.97 crores and slum improvement at the cost of Rs. 8.97 crores. It is also proposed that environment management and health facilities will cost Rs. 11.66 crores. A sum of Rs. 95 lakhs is likely to be spent on technical

<sup>26</sup>*The Times of India*, June 19, 1983.

<sup>27</sup>*Nava Bharat Times* (Hindi), October 20, 1983.

<sup>28</sup>A. Kumar, Vice-Chairman, Kanpur Development Authority, "KDA Development Plan for 1983-84", *The Statesman*, New Delhi, October 26, 1983.

services and training programme.<sup>29</sup>

In the financial year 1983-84 it is proposed that Rs. 14 crores will be spent on the construction of 65,000 housing units for the economically weaker section, 1220 units for the low income groups, 550 units for the middle income groups and 164 units for the higher income groups. The houses of HIG category would be constructed as self financing schemes. Under the site and service programme, 4,100 plots would be developed or constructed at the cost of Rs. 6 crores. A total of 4,146 families in slum areas would be provided with bare living facilities at the cost of Rs. 2 crores.<sup>30</sup>

In present state of affairs of the city, the measures initiated by Kanpur Development Authority and UP Housing and Urban Development Board will prove futile in solving the ever increasing problems of slums, squalid living, civic utilities and community facilities badly needed for the congenial living of the weaker section of urban community by the year 2000 AD on account of various reasons.

In the case of Kanpur city, it is found that most of the housing units constructed for the slum dwellers, labourers and other economically weaker people are either illegally sublet or forcibly occupied by unauthorised persons. There are other shabby affairs in which officials, influentials and so called political leaders including councillors and members of legislative assembly had been in league with each other, and is still a flourishing business of many such persons.

#### CONCLUSION

It may be concluded that it is impossible to reach for unique solution to the problems of dispersal of industrial units to country side, reversal of immigration process, expansion of housing activities and improvement of slum areas, without huge financial resources, honest commitment and concerted efforts on the part of Housing Board, Kanpur Development Authority, Municipal Corporation, housing cooperatives and inhabitants of the city as well.

This requires a comprehensive time bound programme for dispersal of industrial units to small towns of the Kanpur region and acceleration of housing activities with adequate provision of civic utilities and community facilities. This entails a great deal of joint planning and implementation by agencies at local level and also at higher level of administration. Tarlok Singh, a very discerning former member of 'Planning Commission', Government of India, suggested two conditions

<sup>29</sup>A. Kumar, Vice-Chairman, Kanpur Development Authority, "Kanpur's Problems as Big City", *The Times of India*, A Sponsored Supplement II, Lucknow, November 2, 1983.

<sup>30</sup>A. Kumar, *op. cit.*

for such action, the recognition that within the city the primary responsibility of planning and coordinating the use of resources from diverse sources rests on the city's own institutions and that these institutions must possess or be helped to acquire the necessary skills and experience.<sup>31</sup>

The Task Force\* appointed by the 'Planning Commission', Government of India on shelter for the urban poor and slum improvement has in its report also recommended that the brick and mortar approach is totally unsuited to the problems of masses of shelterless poor, primarily because the procedures and the system entrenched in respective development authorities coupled with short-sighted pricing policies for land cannot, in the best of circumstances, construct houses suited to low income people.<sup>32</sup>

The Task Force also suggested that the respective organizations should cut down their house building programme to the minimum, and is of the opinion that the housing activity should be a part of an integrated programme for urban development and staff their organisations suitably to deal with the local communities for whom they aim to develop planned human settlements. According to the Task Force the so called development authorities in many cities had quickly reduced to house builders, setting aside partially or totally their legitimate functions as planners of critical infrastructure.<sup>33</sup> An objective study of KDA should be undertaken to assess how far KDA has been successful in achieving the goals.

On the part of metro as well as of development authority or Jal Sansthan, it is necessary that they should shift their priorities to areas of greatest need like slums and squatter settlements and earmark areas for the rural poor and potential immigrants.

In the sphere of slum upgradation lessons should be taken from the Hyderabad self-help housing programme through community development approach where slum dwellers were given land deeds to their plots and the nationalised banks made low interest loans available to them. While introducing this programme in Kanpur city the implementation agency should not tackle the housing problem immediately but first it should motivate them and develop a spirit of self-help and community cooperation. □

<sup>31</sup>Tarlok Singh, "Urban Development Policy and the Role of Governments and Public Authorities" in Leo Jakobson and Ved Prakash (eds.), *Urbanization and Urban Development*, Sage Publications, London, 1971.

\*Headed by L.M. Menzies, Joint Secretary, Ministry of Works and Housing, Government of India.

<sup>32</sup>*Hindustan Times*, New Delhi, September 26, 1983.

<sup>33</sup>*Ibid.*

# Property Tax Growth in Metropolitan Cities of India\*

SHYAM NATH AND LARRY SCHROEDER

SEVERAL CRITERIA must be judged while evaluating a property tax system. Among these are the neutrality of the tax, its equity implications, the certainty of the tax, its administrative cost and its growth or responsiveness to increases in local incomes and prices. While none of these goals is dominant and they often conflict, the growth criterion is of particular interest in this paper. Growth is important since the spending needs of localities certainly expand because of rising demand for public services in the face of increasing population and escalation in the costs of provision.

As the data in Table 1 suggest, six major Indian cities had *per capita* revenue expenditures in 1978-79 three to five times larger than those in 1960. These increases can be attributed to general price

TABLE 1 PER CAPITA REVENUE EXPENDITURE AND SIGNIFICANCE OF PROPERTY TAX IN SIX MUNICIPAL CORPORATIONS

Municipal Corporation	Per Capita Revenue Expenditure (Rs.)		Property Tax as per cent of Total Taxes 1977-78
	1960-61	1978-79	
Delhi	27.94	119.54	42.45
Madras	23.60	56.65	71.26
Bombay	39.62	184.40	62.35
Calcutta	24.95	75.59	82.62
Ahmedabad	31.24	166.60	33.03
Bangalore	17.79	82.77	27.87

SOURCE: Central Statistical Organisation, *Annual Statistical Abstracts*.

\*This paper is an abridged and revised version of authors' paper, "Property Tax Revenue Growth in Two Indian Cities", *Occasional Paper No. 65*, December 1982, Metropolitan Studies Programme. The Maxwell School of Citizenship and Public Affairs, Syracuse University, Syracuse, New York, USA.



increases, on the one hand and, greater demand for urban public services due to rise in population and income levels on, the other. Yet, regardless of the cause, the implication is clear—if urban spending continues to grow, its revenue base must also expand. When one considers the revenue sources upon which such growth must depend, the property tax must bear a large share of the load, at least in some Indian cities (Table 1). The cities of Calcutta, Madras and Bombay are especially reliant upon this tax to meet the fast growing local expenditures.

### CONCEPTUAL BASIS OF PROPERTY TAX

There are three principal features of any property tax system, indeed of any tax system, that are of interest—definition and determination of the base, the rate structure and collection efficiency. Thus, in general terms:

$$B = aV \quad \dots \quad (1)$$

$$T^* = rB \quad \dots \quad (2)$$

$$T = cT^* \quad \dots \quad (3)$$

where,

$V$  = Value of property

$a$  = Assessment rate

$B$  = Tax base (rateable value)

$r$  = Tax rate

$T^*$  = Collectible taxes

$c$  = Collection rate

$T$  = Actual tax collection

A study of the growth implications of a property tax system will then need to consider: (i) how  $V$  changes over time, (ii) how the base,  $B$  changes with  $V$  through the assessment process and the rate of assessment ( $a$ ), (iii) how the rate structure,  $r$ , and changes in it capture the changes in  $B$ , and (iv) how successful the collection administration has been in ultimately collecting the amounts legally due to the taxing jurisdiction. Assessment practices, rate structure and collection efforts are, therefore, co-equal keys to successful growth performance of the property tax. Below we consider each of these factors for Delhi and Madras. These cities do not represent extremes in their reliance upon property-based levies and can thus be taken to be reasonably representative cases.

# ANALYSIS OF GROWTH FACTORS

## Measures

While one can simply look at the average annual growth rates in tax yields, it is more worthwhile to consider such growth *relative* to the growth in the variables that constitute measures of demand for the expenditures for which the property tax is used—population, income, etc. Elasticity coefficients are sometimes used for this purpose where the tax data used have had the effects of all discretionary policy changes removed.<sup>1</sup> In the case of the property tax, however, it is difficult, and possibly not desirable, to attempt to remove discretionary effects since the base of this tax is the result of discretionary policy actions in the form of assessment decisions. Thus, here we concentrate instead on buoyancy coefficients.<sup>2</sup>

Although it is possible to determine buoyancy coefficients for the current property tax revenue with respect to income, population, etc., it is more instructive to decompose it into its constituent parts. The current yield from the property tax can be written:<sup>3</sup>

$$\frac{PT}{AV^*} = \frac{PT}{TD} \cdot \frac{TD}{AV} \cdot \frac{RV}{AV^*} \quad \dots \quad (4)$$

or in buoyancy terms

$$B_{PT, AV^*} = B_{PT; TD} \cdot B_{TD, RV} \cdot B_{RV, AV^*} \quad \dots \quad (5)$$

where,

PT = Tax collection; TD = Total demand; RV = Rateable value; AV\* = Potential annual value; B = Buoyancy coefficient.

<sup>1</sup>An elasticity coefficient refers to the ratio of the percentage change in one variable, e.g., revenue, relative to the percentage change in a second variable, e.g., income.

<sup>2</sup>The buoyancy coefficient indicates the per cent change in the dependent variable in response to a one per cent change in the explanatory variable but cleaning for discretionary changes is not done. One argument for such an approach is that reassessment of older properties is analogous to increase in tax rates rather than an automatic increase in response to economic growth. This was put forth by Selma J. Mushkin 1965, *Property Taxes: The 1970 Outlook*, Chicago, The Council of State Governments, October, p. 14, taken from Gale, Bradley Thomas, *The Effect of Income Elasticity of Tax Yields on Expenditure Growth: A State Local Analysis* (Rutgers: The State University, Ph.D. Thesis, 1978, p.12). This is true particularly when the existing tax rate is already high and the additional revenue requirement is met by revising the assessment figures frequently.

<sup>3</sup>Johannes F. Linn, "The Incidence of Urban Property Taxation in Columbia", in *The Taxation of Urban Property in Less Developed Countries*, edited by Roy W. Bahi, Madison, Wisconsin, The University of Wisconsin Press, 1979, pp. 87-88.

The right hand side of the equation makes explicit the various aspects of a property tax system. The first term  $B_{PT, TD}$  is a measure of collection efficiency:  $B_{TD}$ , RV is tax demand buoyancy and  $B_{RV, AV}$  is assessment buoyancy.

In order to examine the performance of the property tax system of Delhi and Madras, we investigate these buoyancy coefficients. All estimates are based on double log ordinary least squares regressions using 1970-71 to 1977-78 data. Ideally one would have regressed the rateable values on the market rents to measure how well the assessment process has captured the changes in the statutory base of the tax. Since data on the market rents are not available, proxy variables must be used. One such proxy is the City Domestic Product (CDP). Since rents are likely to be sensitive to the demand pressures associated with population growth, we also examine the relation between the rateable value and population. The results of different regressions are presented in Table 2.

TABLE 2 ESTIMATES OF TAX AND BASE BUOYANCIES  
(PERIOD 1970-71 TO 1977-78)

<i>Buoyancy Coefficient</i>	<i>Delhi</i>	<i>Madras</i>
PT, CDP	0.81 <sup>1</sup>	0.97 <sup>3</sup>
PT*, CDP*	0.32 <sup>1</sup>	0.64 <sup>4</sup>
PT, TD	0.77	1.26 <sup>1</sup>
TD, RV	0.81 <sup>1</sup>	0.58 <sup>1</sup>
RV, CDP	0.84	0.07 <sup>1</sup>
RV*, CDP*	0.56	1.94 <sup>1</sup>
PT, P	2.93 <sup>2</sup>	3.35 <sup>2</sup>
PT*, P	1.39 <sup>*</sup>	1.24 <sup>2</sup>
RV, P	2.80	2.68 <sup>1</sup>
RV* P	0.69	0.77 <sup>1</sup>
CC, CD	1.09	1.03 <sup>1</sup>
AC, AD	0.58	1.16 <sup>1</sup>

NOTES : PT=Property Tax collection

SOURCE : Computed.

(PT\* = PT deflated by CPIN);

CDP = City Domestic Product

(CDP\* = CDP at constant prices);

TD = Total Tax Demand;

RV = Rateable value

(RV\* = RV deflated by CPIN);

P = Population;

CC = Collection against current demand (CD);

AC = Collection against arrear demand (AD).

<sup>1</sup>1970-71 to 1976-77

<sup>2</sup>1960-61 to 1977-78

<sup>3</sup>1965-66 to 1976-77

<sup>4</sup>1965-66 to 1974-75.

*Analysis of Results*

The rateable value buoyancy estimates shown in Table 2 suggest that, at least when measured in nominal terms, the tax base in both Delhi and Madras performed well with respect to population. A growth of population of one per cent was accompanied by more than two per cent growth in rateable value in Delhi and more than 3 per cent in Madras. This buoyancy in the rateable value would have resulted either from additional supply of housing responding to demand from the expanding population or because of property values which would have risen due to a demand supply imbalance or because both the factors were at work. When the changes in the CDP<sup>4</sup> were used to represent the changes in property values, the tax base buoyancy fell below unity in Delhi and only slightly exceeded one in Madras.

Our measure of the CDP was derived out of the average urban income of the state. The growth of the city income, however, would have been faster relative to the rest of the urban income. Thus, the tax base buoyancy must be well below unity for the metropolitan cities. When the rateable values were deflated to remove the effect of general inflationary pressures, the buoyancy coefficients were considerably smaller. Thus in real terms, the rateable values failed to keep pace with the population and income growth in both the cities. These results show that the changes in the market values of properties could only partially get transmitted to the rateable values.

Given the progressive tax rate structure in both the municipal jurisdictions (Tables 3 and 4), it was unexpected to find that when current demand was regressed on the rateable values, buoyancy coefficients of 0.88 and 0.56 were obtained for Delhi and Madras respectively. Anyhow given the data, it can be stated that the tax demand grew less than proportionately in response to the changes in the rateable values.

When total collections were regressed on total demand, the resulting collection buoyancy coefficient for Delhi and Madras were 0.77 and 1.26 respectively. Current collections regressed against current demand yielded collection buoyancy coefficients for Delhi and Madras as 1.09 and 1.03 respectively. However, the analogous coefficients for arrear demand were 0.58 and 1.16; indicating that the deficient collection record in Delhi was largely due to the sluggish collection of arrears.

The preceding analysis reveals that property tax revenue growth in both the cities has suffered a setback on all the three fronts, i.e.,

<sup>4</sup>Per capita non-agricultural GDP of the State multiplied by the population of the city.

TABLE 3 RATES OF PROPERTY TAX : M.C.D.

(Per cent of Rateable value)

Rateable value of Property (Rs. thousand)	General tax (Marginal rate)			Water rate	Scavenging tax			Fire tax	Total*		
	(a)	(b)	(c)		(a)	(b)	(c)		(a)	(b)	(c)
Up to 1	10.0	15	15	5	1	5	2.5	0.5	16.5	25.5	23
Over 1 to 2	11.5	15	15	5	1	5	2.5	0.5	18.0	25.5	23
Over 2 to 5	12.5	18	18	5	1	5	2.5	0.5	19.0	28.5	26
Over 5 to 10	15.0	22	18	5	1	5	2.5	0.5	21.5	32.5	26
Over 10 to 15	18.0	26	20	5	1	5	2.5	0.5	24.5	36.5	28
Over 15 to 20	20.0	28	23	5	1	5	2.5	0.5	26.5	38.5	31
Over 20 to 25	25.0	30	27	5	1	5	2.5	0.5	31.5	40.5	35
Over 25	30.0	30	30	5	1	5	2.5	0.5	36.5	40.5	38

SOURCE : Municipal Corporation of Delhi.

NOTE : (a) Rate for residential buildings.

(b) Rate for cinema houses, residential hotels, industrial holdings, etc.

(c) Rate for restaurants, eating houses, nursing homes, institutions, shops, etc.

\*Excludes education cess at the rate of one per cent of the rateable value.

TABLE 4 PROPERTY TAX RATES IN MADRAS MUNICIPAL CORPORATION

(Per cent)

	Rateable value			
	Rs. 500 or less	Rs. 500- 1,000	Rs. 1,000- 5,000	Greater than Rs. 5,000*
General Tax	5.0	10.5	12.0	14.5
Water Tax	1.0	1.0	1.0	1.0
Drainage Tax	6.0	6.0	6.0	6.0
Lighting Tax	3.5	3.5	3.5	3.5
Total (Property Tax)	15.5	21.0	22.5	25.0
Educational Tax	4.0	4.5	5.0	5.0
TOTAL	19.5	25.5	27.5	30.0

SOURCE : Madras Municipal Corporation.

\*Until 1967-68, this class consisted of two classes : Rs. 5,000—7,000 and above Rs. 7,000.

tax base, tax demand and tax collection. It is amply clear that the low collection has resulted from the rapid growth of arrears. The proportion of arrear demand in the total demand in Delhi has increased rapidly from 41.39 per cent in 1970-71 to 57.04 per cent in 1977-78. The corresponding figures for Madras are 35.90 per cent and 42.17 per cent. This also indicates that the share of current demand has declined considerably particularly in Delhi. Arrear demand generally consisted of cases relating to disputes in the assessed values of properties.

Whereas the rapid growth of arrears has affected collection efficiency in Delhi, both the municipal corporations have experienced low tax demand buoyancy also. Given the progressive rate structures in Delhi except during 1976-77 when the proportional rate was applicable with a higher rate for non-residential properties, the buoyancy coefficient of less than unity can be attributed to the changes in the distribution of rateable values as between: (i) exempt and non-exempt properties; (ii) residential and non-residential properties, and (iii) low value and high value groups. If the proportion of tax exempt properties, residential properties and low value properties in the total rateable value has increased over time, this would have depressed the tax demand buoyancy.

No information is available as to what proportion of the total rateable value is tax exempt. Moreover, it is less likely that this proportion would have increased over time. As regards the distribution between residential and non-residential categories, the relative share of the latter which attracted higher tax rates has gone down in Delhi (Table 5). Finally, the proportion of high value properties has declined in the residential sectors which constituted about 4/5th of the total rateable value in Delhi (Table 5). Similar information is not available for Madras Municipal Corporation. On the basis of the available information for Delhi, the low tax demand buoyancy can be ascribed to the relatively high growth of the rateable values of residential properties particularly in the low valuation ranges.

TABLE 5 DISTRIBUTION OF RATEABLE VALUE  
(MUNICIPAL CORPORATION OF DELHI)

		(Per cent)			
Rateable valuation range (Rs.)		Residential		Commercial	
		1975-76	1977-78	1975-76	1977-78
Upto 1000		15.89	13.29	18.43	9.89
1001— 2000		12.30	11.81		
2001— 5000		20.93	22.48	13.79	13.66
5001— 10000		19.91	24.58	17.97	10.85
10001— 15000		10.30	11.06	12.55	7.84
15001— 20000		5.37	5.50	8.10	4.69
20001— 25000		2.91	3.31	4.31	3.23
25001 and above		12.37	7.97	24.84	49.83
TOTAL		100.00	100.00	100.00	100.00
As per cent of total rateable value		75.00	80.00	25.00	20.00

SOURCE: Derived from the data collected from the Office of the Assessor and Collector, Municipal Corporation of Delhi.

What follows from the proceeding analysis is that the main reason for the low buoyancy of the property tax lies in the area of property valuation. The current assessment practices suffer from at least two defects. First, the changes in the market rents have not fully reflected in assessments resulting in undervaluation of properties, and second, the degree of undervaluation has risen with the increase in property values which means regressive assessments. The significantly low values of the buoyancy of rateable values with respect to the CDP is indicative of both the features. What is essential to note is that whereas suitable changes in the treatment of tax exempt properties and improvement in collection efficiency can bring about growth in property tax revenue in the short-run, the crux of the issue is to introduce buoyancy in the tax system by making it more responsive to changes in the market values of properties consequent upon the metropolitan growth. In the final section of this paper it is proposed to analyse the magnitude of lagging assessments. Explicitly the purpose is to estimate the extent of undervaluation of properties and the likely loss of revenue due to the erosion of tax base.

#### UNDERVALUATION OF PROPERTIES

The important factors that help account for the low valuation of properties for the purposes of property taxation originate in the imperfect rental market. These imperfections stem in part from the legal imposition of the rent control which prescribes for the property a standard rent which is found to be much below the market rent. It has been demonstrated in the context of the Calcutta Municipal Corporation that the rent controls constrained the growth of assessments on an average by about 100 per cent.<sup>5</sup> Additionally, practices such as a well organised system of salami, especially in the commercial sector helps reported rents to be considerably lower than what the market would warrant.

Besides the market imperfections, the discretionary powers held by assessment officers to grant relief to fully or partially owner-occupied properties can greatly erode the tax base. The lack of adequate information on rental values and the lack of requisite training of assessment officers may have further caused the rateable

\* <sup>5</sup>For an empirical analysis and estimation of the effect of rent control on the property-tax base, see Shyam Nath, "Impact of Rent Control on Property Tax Base in India: An Empirical Analysis", *Working Paper No. 10*, New Delhi, National Institute of Public Finance and Policy, 1982, and *Occasional Paper No. 75*, Metropolitan Studies Programme, Syracuse University, Syracuse, New York, USA. Also see A. Datta, "Rent Control and Housing in Delhi", Indian Institute of Public Administration, 1978, New Delhi.

values to diverge from the what market forces would have warranted. Besides these factors, the relative undervaluation of high value properties can be explained in terms of special characteristics attached to these properties. High value properties tend to be more individualistic in terms of quality, design etc., where the method of comparison for determining the rateable value may not be of much help.

The above analysis indicates that the rateable values may be grossly underestimated. The degree of underestimate ( $u$ ) can be measured as one minus the assessment rate ( $a$ ), which is the ratio of assessed value ( $AV$ ) to the potential assessed value ( $AV^*$ ). That is

$$\begin{aligned} a &= AV/AV^* & \dots & (6) \\ AV^* &= i MV & \dots & (7) \\ u &= 1-a & \dots & (8) \end{aligned}$$

where  $MV$  is the capital or market value and  $i$  is the rate of capitalisation.

To estimate the degree of undervaluation of properties, the estimates of  $AV$  and  $AV^*$  are required.  $AV$  can be arrived at by adding to the rateable value ( $RV$ ), the value of deductions allowed statutorily such as maintenance allowance. The estimate of  $AV^*$  can be obtained from the information on  $MV$ . There can be two sources of information on  $MV$ : (i) information on consideration paid for sale/transfer of properties available in the records of the office of Registrar, Registration, and (ii) information on property values determined by the valuation cell of the Income Tax Department. Unfortunately, information on sales prices as declared in registration deeds may be unreliable because prices are often depressed in order to conceal black money involved in property transactions and also to evade taxes. While the reliability of data from the sources of valuation cell may also be questioned, in the absence of any other information on  $MV$ , we have used the data obtained from the valuation cell for determining  $AV^*$ .

A sample of 128 transacted properties in Delhi was randomly drawn from the selected zones of the MCD and the information on  $RV$  and  $MV$  for the sample properties was obtained from the offices of the Municipal Corporation of Delhi, and Valuation Cell of the Income Tax Department respectively. While estimating  $AV^*$ , a capitalisation rate of 10 per cent (*i.e.*,  $i = 0.10$ ), was assumed. The results of calculations are presented in Table 6. The results show that the degree of underassessment of properties varies from 65 per cent to 75 per cent in Delhi. The results also show regressive assessment of properties. It should be pointed out at this juncture that since the estimates prepared by the valuation cell may also suffer



from limitation, the results shown in Table 6 should be treated being tentative. Nevertheless, this exercise has very clearly indicated that the administratively determined tax base is a gross underestimate and that the potential base has not been utilised adequately.

There is some evidence that properties may be undervalued in Madras also. Table 7 shows that the average rateable value of new assessments increased at par with that of old assessments. Actually new buildings which tend to be better built and on land purchased at

TABLE 6 EXTENT OF UNDERVALUATION IN PROPERTY ASSESSMENTS  
(MUNICIPAL CORPORATION OF DELHI)

<i>Zone (MCD)</i>	<i>Market value Range (Rs. lakh)</i>	<i>No. of Prop- erties</i>	<i>AV<sup>1</sup></i>	<i>AV<sup>*2</sup></i>	<i>Assessment Ratio (per cent)</i>
			<i>(Rs. thousand)</i>		
West Zone	Less than 3	15	296.67	78.93	26.60
	3 to 5	31	1246.50	314.61	25.24
	Above 5	9	543.80	112.09	20.61
	Total	55	2086.97	505.63	24.23
South Zone	Less than 3	7	158.10	79.42	50.23
	3 to 5	10	413.00	186.00	45.04
	Above 5	10	792.30	214.14	27.03
	Total	27	1363.40	479.56	35.17
New Delhi Zone	Less than 3	11	262.50	103.34	39.37
	3 to 5	19	769.40	239.03	31.07
	Above 5	16	1127.00	333.53	29.59
	Total	46	2158.90	675.90	31.31

SOURCE: 1. Municipal Records of Delhi.

2. Office of the Chief Engineer, Income Tax Department (Valuation Cell).

NOTES: <sup>1</sup>AV = 1.11 RV

<sup>2</sup>AV\* = 0.10 MV

TABLE 7 NUMBER AND VALUE OF LAND AND BUILDINGS IN MADRAS

Year	Total Number of assessments	Average Rateable value	
		Total (Rs.)	New (Rs.)
1967-68	617,398	1,505	1,587
1970-71	125,891	1,905	1,602
1975-76	139,445	2,784	2,701

SOURCE: Government of Tamil Nadu (1978), High Level Report on Madras Corporation Administration, Vol. II, p. 303.

higher costs should have added more to the total valuation. If, under-valuation is also present in old properties, which is most likely the

case, the underassessment of new properties is even more pronounced.

### REVENUE GOAL

The above analysis shows that inadequate assessment of properties and collection constraints may have caused considerable amount of revenue leakage. Given the tax base, tax demand and tax collection buoyancies of less than one, it can be seen that if the rateable values are enhanced by 100 per cent, the property tax yields are likely to rise by 62 per cent in Delhi and 73 per cent in Madras.<sup>6</sup> Thus if the processes of generating tax demand and tax collection are streamlined followed by vigorous collection campaign the probable growth of tax revenue would be much higher.

Restructuring of the tax rates may still help to raise the property tax revenue in both the corporations particularly in Madras. The preponderance of the total rateable values in the highest rateable value slab indicates that the degree of progressivity in the existing rate structure is irrelevant. There is a strong case for breaking the open end classes particularly in the commercial sector further and raising the rates of tax on them. These measures would not only add to revenue but at the same time would take care of relative undervaluation of high value properties also.

### CONCLUSION AND POLICY IMPLICATIONS

The findings here suggest that both in Delhi and Madras, the assessment process can stand and indeed need improvement. The real rateable values have failed to keep pace with population and income growth during the 1970s and there is some reasonably strong evidence that properties are underassessed. Some of the troubles here stem from external forces such as rent control which holds back the growth of the rateable values. But there are also reasons to suspect that the assessment process itself can be strengthened. This suggests for better training of assessment officials and the development of data on property values so that the rateable values can more closely reflect the market values and can be altered as the forces of the market drive up these values.

Both the cities characterised by a preponderance of the total rateable value in the highest bracket would find that further growth in the tax due to existing progressive rates will continue to be less

<sup>6</sup>Since  $(PT/TD)(TD/RV)(RV/AV^*) = PT/AV^*$ , for one per cent change in RV with respect to  $AV^*$ , tax yields are likely to rise by 0.62 per cent and 0.73 per cent respectively in Delhi and Madras.

important. This necessitates some restructuring of the tax rates in both the cities to take care of relative undervaluation of high value properties. Further, it is high time to examine the system of granting exemptions to properties from the property tax. It could well be that a good number of properties owned by religious, charitable and educational institutions would have their sources of income but would still enjoy the benefits of exemptions.

A combination of assessment and collection enhancement policies is called for. First, a vigorous enforcement campaign including the use of legal remedies may be the most effective means of obtaining buoyancy in the tax. Since this is likely to be politically unpopular, it must be accompanied by a two-pronged informational campaign. The first stage of the campaign can concentrate on the elected and administrative officials who should be shown what lagging assessments and property tax collections imply for the future of the city's financial fortunes. The second stage would take that campaign to the people to show them how civic services can be affected by continued resistance to compliance with the tax. This, then, might decrease the popular resistance to the implementation of legal remedies that would constitute the heart of any programme to raise compliance with the property tax policies. One simple observation concerning compliance with direct taxes is that if people feel that they are getting something in return for their tax payments, they are much more likely to be willing to comply with the levy. It is crucial, then, to inform them of these benefits.

# *Collection of Property Taxes: A Case Study of Delhi*

M. P. SHARMA

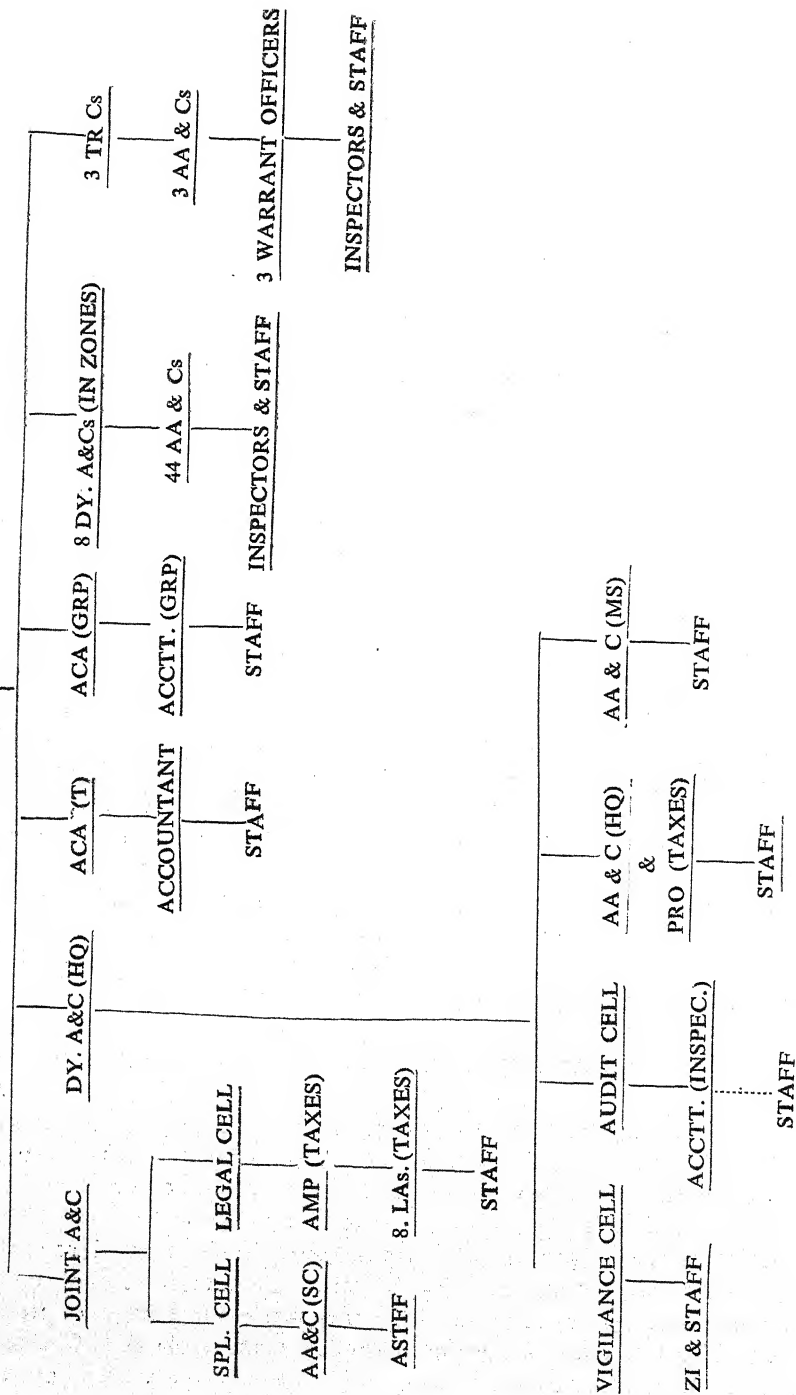
THE MAJOR source of revenues to the Municipal Corporation of Delhi is property taxes. The assessment and collection of property taxes is entrusted to the Assessment and Collection Department. This department also collects Transfer Duty. The total collection of revenues from property taxes, service charges in lieu of property taxes and transfer duty during the year 1983-84 was to the tune of Rs. 3795 lakhs, which was approximately 54 per cent of the total municipal revenues.

The Assessment and Collection (A & C) Department is responsible for inspection and valuation of properties within the area of the Municipal Corporation of Delhi for assessment, levy and collection of property taxes as per provisions of the Delhi Municipal Corporation Act, 1957, and bye-laws made thereunder. The administrative set-up of this department is given on next page. The department consists of about 60 officers and 700 officials. The number of properties being assessed as per figures compiled for 1981-82 was 4.5 lakhs out of which about 3.74 lakhs were residential and the rest, 76 lakhs were non-residential. The department is, therefore, issuing about 4.5 lakhs demand bills every year.

## ASSESSMENT AND COLLECTION PROCEDURE

The starting point for assessment of properties as per the provisions of DMC Act, 1957 is the written intimation which is required to be given by the tax-payers within 15 days of occupation or completion of construction of a property under Section 129 of the DMC Act. However, due to ignorance and indifference such intimations are the exceptions rather than the rule. In practice, therefore, the starting point for assessment of properties is the physical inspection of properties which is carried out by the inspection staff of the A & C department. During inspections the rents, if any, and the measurement of

ASSESSOR AND COLLECTOR



the rooms, etc., are recorded in the Inspection Books and individual notices are given proposing the rateable value and the date of effect. As per provisions of Section 124/126 of the D.M.C. Act. 1957, a period of 35 days is allowed to the tax payers to file their objections and the cases are finalised after affording an opportunity of being heard. After the final orders are passed determining the rateable value, bills are issued which are payable within 15 days. In case payments are not received within this period, demand notices are issued which are payable within one month after which cases of non-payment become due for recovery through coercive measures. Such tax payers become assesseees in default liable for levy of penalty upto 20 per cent of the taxes in arrears. Those tax payers who do not agree to the final assessment have a right to file an appeal with the District Judge within 30 days of the final assessment. For this purpose the period for obtaining the certified copy of the final order is excluded provided the application for obtaining the certified copy is made within 30 days of the said final order.

The assesseees can also represent against the final assessment to the Assessor and Collector who can reopen the cases for rededcision in cases where the assessee was not given sufficient opportunity of being heard and the case was decided *ex-parte* or where the assessment order had been passed in violation of the laid down law or the assessment policy of the department. Representations can also be made to the High Power Committee in cases where the assessee could not file the objection within the time prescribed due to circumstances beyond his control or where there is a genuine hardship. In such cases the High Power Committee can re-open the case for reassessment provided admitted taxes have been paid. The High Power Committee consists of the Dy. Commissioner (T) as the Chairman and the Chief Accountant and Assessor and Collector as the members.

The tax payers can pay the demand bills/demand notices at the collection counters at the respective zonal offices in cash or draft or cheque. The tax payers can also make the payment in various branches of the State Bank of India. The challans for payment alongwith one copy each of the receipts issued by the zonal cashiers are received by the zonal organisation of the A&C department where the same are distributed to the respective bill clerks maintaining the demand and collection registers of the concerned area. The challans are entered in the day books and therefrom posted into the demand and collection registers. The bank scrolls received from the State Bank of India are received in the Central Treasury in Town Hall. The Bank scrolls relating to the A&C department are then received in the A&C (HQs) wherefrom the same are distributed to the respective zones and further action is taken in the zones as in the case of challans received

from zonal cashiers.

The demand bills are issued every year during the months of July, August and September. About 33 per cent of the tax payers respond to the bills. Demand notices are, therefore, required to be issued every year to about 3 lakh of tax payers which are issued normally in the months of November and December. Another 33 per cent of the tax payers generally respond to the demand notices and recovery through personal contacts and coercive measures has to be effected in the case of the rest of 33 per cent which continues from the month of January upto 31st March every year. The cases of arrear demand with arrears of more than Rs. 5,000/Rs. 10,000 are normally handed over to the Tax Recovery Collectors as soon as the new demand and collection registers have been written showing the arrear demand.

#### *Powers and Functions of the Officers of the A&C Department*

The Commissioner, MCD is the only officer mentioned in the DMC Act enjoying all the powers relating to valuation and assessment of properties as also of levy and collection of taxes. He is empowered U/s. 491 of the DMC Act to delegate any of his functions to his subordinate officers. The Commissioner has delegated all his powers relating to inspection, evaluation and assessment of properties as well as regarding levy and collection of taxes to the Assessor and Collector, Joint Assessor and Collector, Dy. Assessor and Collector, Asstt. Assessor and Collector and Superintendents. All the powers relating to collection have also been delegated to the Tax Recovery Collectors. For the purpose of administrative convenience the Superintendents decide the cases upto the rateable value of Rs. 10,000, the Asstt. Assessor and Collectors upto the rateable value of Rs. 20,000, the Dy. Assessor and Collectors upto the rateable value of Rs. one lakh and the Joint Assessor and Collector decides all cases above the rateable value of Rs. 1 lakh.

#### METHOD OF ASSESSMENT

Before the Supreme Court Judgment in the case of Dewan Daulat Rai Kapoor, the method of assessment of property taxes was very simple. Section 116 of the DMC Act provides for assessment of properties on the basis of 'reasonable rent' which the property might be expected to fetch from year to year. Reasonable rent was worked out as under :

- (i) In case of let out properties on the basis of actual rent received.
- (ii) In case of self occupied properties on the basis of rents pre-

vailing in the locality. For this purpose, on the basis of the actual rents being received in each locality, an average rent per sq. ft. was worked out and the same was applied to all properties in that locality. This was called rental data.

- (iii) In case of self occupied residential properties a rebate of 20 per cent was allowed out of the rent worked out on the basis of rents prevailing in the locality.

*Method of Assessment Declared by the Supreme Court*

The Supreme Court held that the reasonable rent could not be any thing else except the standard rent fixed by the rent controller or as determinable in accordance with the provisions of the Delhi Rent Control Act. This was, however, applicable to the areas where the Delhi Rent Control Act was applicable, i.e., in urban areas.

After applying the provisions of the DRC Act as interpreted by various judgments of the Supreme Court and the Delhi High Court the method of assessment of new properties has become as under:

- (i) The first rent is the standard rent for a period of five years from the date of first letting [Section 6 (2) (b) of DRC Act]
- (ii) After the first five years of letting are over the assessment has to be made on the basis of cost of construction+market value of land on the date of commencement of construction [Section 6 (1) of DRC Act] or on the basis of standard rent prevailing in the locality, type of construction, situation of property, etc. [Section 9 (4) of the DRC Act].
- (iii) All self occupied properties have to be assessed on the basis of standard rent prevailing in the locality, type of construction, situation, etc. [Section 9 (4) of the DRC Act]. Self occupied properties cannot be assessed on the basis of cost method as per Division Bench, Delhi High Court Judgment in Mehar Singh vs. MCD.
- (iv) Where a property is partly let out then for the unlet portion also the average rent being received for the let out portion is the standard rent as per Division Bench, Delhi High Court Judgment in Jyoti Prasad vs. MCD.

Prior to the Supreme Court judgment, the officers were required only to ascertain the correct rent in case of let out properties and correct carpet area in the case of self-occupied properties and assessments used to be finalised normally in one or two hearings. However, the Supreme Court in their judgment referred to above, declared that assessment of properties has to be made on the basis of Standard Rent



determined or determinable under the provisions of the Delhi Rent Control Act, 1958. Since the provisions of the Delhi Rent Control Act were a little complicated and decisions in individual cases required examination of the facts and circumstances of each case in detail, the job of the Assessing Officers became difficult and time consuming. The result was that majority of the cases required five to six hearings before the same could be finalised. Above all, a misunderstanding, somehow, spread among the tax-payers to the effect that cost method was the only method approved by the Supreme Court of India in their famous judgment while the provisions of the Delhi Rent Control Act, 1958, contained two other methods for ascertaining the standard rent. The net result of the complex legal situation was that, on the one hand, the number of new cases being disposed of by the department went down crashing, and on the other hand, the number of General Objections against the existing decided rateable values started increasing year after year. The adverse impact of the Supreme Court judgment was estimated to result in a loss of revenues to the tune of Rs. 5 crores approximately per annum. An amendment bill to the DMC Act, was, therefore, introduced in the Parliament on August 4, 1980 in order to overcome the adverse impact. It, however, did not reach the consideration stage in the Parliament and the A & C department was left with the uphill task of increasing municipal revenues in order to meet the increased demand for funds in spite of heavy odds.

#### *Adverse Impact*

The impact of the Supreme Court judgment has been adverse not only to the revenues but to the proper functioning of the A&C department. It has also resulted in confusion among all the tax-payers. This would be clear from the following facts.

#### *Loss of Revenue*

The actual rent received is no longer the basis for assessment except in case of recently constructed properties for which the first rent received is the basis for a period of five years. Even in these cases increase in rents cannot be the basis for the increase in value. In case of old properties where very high rents are being received, the assessments are now required to be framed on the basis of rents that were being received in these properties in the 1940s and 1950s. When assessed on cost basis, the value sometimes goes down even by 92.67 per cent.

While proposing amendment of the DMC Act, a sample survey of 122 properties was conducted to find out the likely loss to the MCD. It was found that the loss on account of assessment on the basis of standard rent in place of the actual rent was ranging from 40 per cent

to 93 per cent and the average loss was worked out at 50 per cent. The total loss to the MCD in the pending cases was estimated at Rs. 15 crores and the recurring loss per year was worked out at Rs. 5 crores.

As a result of application of the Supreme Court Judgment, there has been steep fall in Rateable Values of properties. To cite an example, a property fetching at present a rent of Rs. 10,000 per month, the rateable value of which should be Rs. 1,08,000 became assessable in a General Objection case at the RV of Rs. 2,700 only as the property was initially let out in the 1940s at a very small rent, thus causing a loss of revenue to the MCD to the tune of Rs. 33,000 in a single year.

#### *Loss in Raising of Fresh Demand*

After the Supreme Court Judgment increase in rent cannot be the basis for increase in value. As a result of this situation cases for increase in value have gone down heavily which would start affecting the revenue collection in the near future. The number of cases booked for increase in value in the year immediately before the Supreme Court Judgment and thereafter is as under:

1979-80	71241
(Before S.C. Judgment)	
1980-81	47231
(After the S.C. Judgment)	
1981-82	20101
1982-83	20614

#### *Complicated Legal Position*

The method of assessment has become so complicated that it is not clearly understood by the tax-payers. Even the officers and the staff of the department are many a time not very clear about the legal position in many cases. It is interesting to note that even the lower courts and district courts are not clear about the law on property taxes today and total confusion prevails. The result is that different lower courts and district courts are delivering different kinds of judgment on similar cases, sometimes even against the Delhi High Court's judgments. As a result of this confusion and complicated legal situation the municipal revenues are suffering.

#### *Increase in Litigation*

Because of the confusion and complicated legal situation there has been an increase in the number of court cases. While the total court cases filed during 1981-82 were only 1000, the cases filed during 1982-83

were 3000 and the total cases pending in courts on date is about 5000. These cases consume a lot of time of the department which should have otherwise been devoted to more collections.

#### *Stay of Demand*

As a result of increase in litigation and efforts made for recovery of arrear demand, the demand under stay by various courts has gone up. The figures for the same are as under:

1979-80	...	...	Rs. 1.60 crores
1980-81	...	...	Rs. 3.00 crores
1981-82	...	...	Rs. 5.97 crores
1982-83	...	...	Rs. 16.63 crores
1983-84	...	...	Rs. 18 00 crores

#### *Increase in Number of General Objections for Reduction of Tax*

Due to the Supreme Court Judgment the number of General Objections has gone up many a time. The figures are as under:

1979-80	...	...	1100
1980-81	...	...	3000
1981-82	...	...	7387
1982-83	...	...	17967

These objections have to be disposed of within the same year otherwise billing cannot be done. These objections are for reduction in the existing values, and have to be disposed of after detailed examination and many hearings. As a result, about six months are spent on the disposal of these objections which ultimately result in reduction in the current demand. The reduction during 1982-83 alone on account of disposal of General Objections was 60 lakhs per year.

#### *Slowing Down of Disposal of New Cases*

As a result of complicated legal situation and increase in the number of General Objections, the disposal of cases u/s 126 which result in increase in current demand, has considerably gone down. The figures are as under :

1979-80	...	...	54327
1980-81	...	...	45862
1981-82	...	...	17849
1982-83	...	...	17683

Since the number of cases decided for increase in current demand have gone down the revenues are adversely affected.

*Efforts by the A&C Department*

In view of the above odds, it was feared that revenue collections from property taxes would go down. However, the Assessment and Collection Department rose to the occasion and saved the municipal revenues from the near certain financial collapse. This was achieved through hard work, proper planning and streamlining of the working of the department.

On the assessment front, efforts were concentrated on finalisation of high revenue yielding cases and cases where litigation was the least expected. Hence, new cases for disposal were carefully selected so that the energies of the department did not result merely in increase in court cases. The net result was that while the total fresh demand raised during the three years prior to the Supreme Court judgment (1977-78 to 1979-80) was only to the tune of Rs. 424.35 lakhs, the fresh demand raised during three years after the Supreme Court judgment (1980-81 to 82-83) was to the tune of Rs. 1555.76 lakhs. It is this extra ordinary effort at raising fresh demand which helped the department in negating the adverse impact of the stay of demand by the law courts.

On the recovery front, the tax recovery machinery was augmented and even there the energies were concentrated on selected cases with substantial arrears. In those selected cases, legal provisions were utilised with tact, imagination and firmness.

However, collections were not only maintained at the level achieved prior to the Supreme Court judgment but were exceeded year after year. This was a real breakthrough. While the entire machinery engaged in recovery work in the zones contributed their might through hard work, the real breakthrough was achieved through augmentation of the Tax Recovery Collectors' strength, concentration of the energies of the Tax Recovery Collectors' machinery on selective cases of arrears and excellent contribution by the GRP Section.

*Number of Properties vis-a-vis Staff Strength*

Even when the efforts at streamlining the working of the department were continuing it was felt that the strength of the department was insufficient to cope up with the work load. Although the number of properties within the jurisdiction of the MCD had been increasing year after year there was no corresponding increase in the staff strength. The increase in the number of properties had been as under:

1975-76	...	...	3.33 lakhs.
1977-78	...	...	3.69 lakhs.
1980-81	...	...	4.36 lakhs.
1982-83	...	...	4.58 lakhs.

When compared to the staff strength of other Municipal Corporations it was seen that the staff strength was too deficient. The comparative picture of the number of properties *vis-a-vis* the staff strength in the Municipal Corporations of Calcutta, Bombay and Delhi was found to be as under:

<i>Name of Corporation</i>	<i>No. of Properties</i>	<i>No. of Officers</i>	<i>No. of Staff</i>
Calcutta	1,32,000	43	725
Bombay	2,14,000	75	1745
Delhi	4,50,000	47	677

The above figures show that as against 2855 properties being dealt with by the Assessing Officers of Calcutta and Bombay Municipal Corporations, one Assessing Officer in the MCD was dealing with 9000 properties. Similar was the case of the staff. Each staff member on the average in the other two Corporations was dealing with about 140 properties while in Delhi this average was about 670 properties.

The result of the shortage of Assessing Officers and staff was clearly visible from the working of the department. Since the tax payers are indifferent and do not send intimation regarding occupation/completion of properties or regarding new lettings, the entire responsibility for detecting the same rests with the inspectoral staff. The number of properties and the distances to be covered being virtually beyond their reach, many properties were escaping assessment in time resulting in loss to the municipal exchequer. Similarly, the inspectors of the Recovery Collector's office were not able to effectively contact all the defaulters. The strength of the Tax Recovery Collectors was, therefore, doubled in 1982 and trebled in 1983. The assessment machinery was also strengthened and 15 posts of assessing officers and 100 posts of area inspectors have been added in order to make the assessment machinery more effective and efficient.

#### TAX RECOVERY MACHINERY

There was only one Tax Recovery Collector assisted by one Assistant Assessor and Collector, one Warrant Officer and eight inspectors upto the end of 1981. He was entrusted with recovery work of cases throughout Delhi with arrear demand of Rs. 5,000 or more. The result was that about 5000 cases used to be therefor effecting recoveries by eight inspectors. The number of cases with each inspector being more than 600 and the effective number of working days available to the Recovery Inspectors being about 150, it was not possible for each inspector to contact each of the defaulters even once (the work of the Tax Recovery Collector starts somewhere in October each year after

the bills have been issued). The recovery machinery was, therefore, naturally not very effective. Keeping this in view, another Tax Recovery Collector with similar number of officers/officials was appointed in the beginning of 1982 and the third one with similar assistance was appointed in the beginning of 1983. Even this increased strength of the Tax Recovery machinery was given the task on a much more selective basis. While all cases of arrear demand of Rs. 5,000 and above were earlier entrusted to them, choice was now restricted to the cases of arrear demand with Rs. 10,000 and above. The result was that against the average number of cases with each Recovery Inspector of about 600, the number of cases were now reduced to only 80. Although initially many of them thought that the work now assigned to them was too less, it was a calculated gamble which paid rich dividends. The recovery machinery achieved the necessary punch and the tax dodgers had no alternative but to pay. Similarly, the recovery officials had no option but to collect the arrears from all the defaulters assigned to them. While the prophets of doom had declared that with the decrease in the number of cases and the amount of arrear demand assigned to the Tax Recovery Collectors, revenue collections by the Tax Recovery Collectors would go down, the results were exactly opposite. In spite of the decrease in the number of cases of arrear demand and the amount of arrear demand assigned for collection to the Tax Recovery Collectors, the revenue collections by the Tax Recovery Collectors during the years 1982-83 and 1983-84 were as under:

1982-83	...	...	Rs. 136.38 lakhs
1983-84	...	...	Rs. 249.13 lakhs.

#### *Effective Use of Recovery Provisions*

The provisions of the Delhi Municipal Corporation Act relating to recovery of the taxes were utilised with tact, imagination and firmness. Attachment of rents, which was an exception earlier, was made the rule in case of defaulters with rental income. Attachment of bank accounts which was not known to the department earlier was started in a big way and proved to be the most effective instrument of recovery of arrear demand. The provisions regarding levy of penalty on the arrear demand were also utilised in selective but effective manner. Tact and imagination was used for finding out the bank account numbers of the defaulting tax payers, and firmness was maintained in all cases of wounded ego of respectable tax-payers in case of attachment of rents and attachment of bank accounts.

*Government/Semi-Government Properties*

The assessment and collection of property taxes and service charges in lieu of property taxes from government and semi-government properties was in fact a neglected field prior to the Supreme Court judgment. In view of the alarm raised after the Supreme Court judgment about the nearly certain collapse of municipal revenues from property taxes, the department looked around for means to save the situation and this neglected field received the attention of the department. The strength of the GRP section was increased and their mobility was enhanced by providing jeeps. Four jeeps were acquired by the department during the year 1982 while there was none earlier. This also helped the Tax Recovery Collectors and the zones to some extent but the maximum assistance was rendered to the GRP section. While the areas and distance to be covered by the staff of the zones and Tax Recovery Collector was limited and it was possible for their staff to contact the tax payers even without the mobility that was achieved after acquisition of jeeps, the GRP section was handling all the government and semi-government properties scattered all over Delhi, which was virtually an impossible task. The revenue collections from government and semi-government properties during the years 1979-80 onwards has been as under:

1979-80	...	...	315.58 lakhs
1980-81	...	...	350.69 lakhs
1981-82	...	...	490.93 lakhs
1982-83	...	...	589.59 lakhs
1983-84	...	...	1202.00 lakhs

The miraculous results were achieved during 1983-84 by the hard work, increase in the mobility and boosting up of the morale of the officials through appreciation of their good work.

**DOUBLING OF REVENUES**

While the department was fighting against the wall and was trying to save the situation from total collapse, it achieved the miracle of *doubling of tax revenues in five years* in the process. The statement given on next page shows the total recovery position of the department during the years 1977-78 to 1983-84.

A reading of the statements regarding the total efforts as well as the efforts on the property tax front shows that the department has succeeded in achieving optimum efficiency in the year 1983-84 which is the best proof of streamlining of the assessment and collection

machinery. The surplus of 26.60 per cent achieved in total collections over the collections made during 1982-83 and the surplus of 27.52 per cent achieved in property taxes collection over the collections made during 1982-83 is an all-time record never achieved before in the history of the A&C department. This is indeed a miracle specially in view of the heavy odds.

## TOTAL COLLECTIONS (1978-79—1983-84)

(Figures in Lakhs)

Name of Taxes	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Service Charges (Grp)	130.09	198.78	242.52	381.72	326.86	449.95
Property Taxes (General)	1531.63	1777.97	1944.96	2050.80	2354.94	3002.95
Transfer Duty	147.85	252.83	225.73	287.25	315.93	342.31
TOTAL	1809.57	2229.58	2413.21	2719.77	2997.73	3795.21
Excess over last year	—	420.01	183.63	306.56	277.96	797.48
Surplus achieved	—	23.21%	8.23%	12.70%	10.23%	26.60%

While the total recovery position given above depicts the position as a whole, efforts on the front of property taxes alone were as under:

## PROPERTY TAXES (1978-79—1983-84)

(Figure in Lakhs)

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Property Taxes	1531.63	1777.97	1944.96	2050.80	2354.94	3002.95
Excess over last year	—	246.34	166.99	105.84	304.14	648.01
Surplus achieved	—	16.08%	9.39%	5.44%	14.83%	27.52%

## Other Achievements in 1983-84

(i) The efficiency achieved by the department did not stop at maximising of revenue collection alone. It achieved remarkable success in many other fields also. It disposed of 20,610 new cases in 1983-84 which was substantially more as compared to the years 1981-82 and 1982-83 even when the cases taken up for disposal were selective and that too of high revenue implications.

(ii) The department augmented its strength and achieved another success in the field of survey and detection of new cases for levy of taxes/increase in taxes. The number of properties surveyed and notices issued for levy/increase of tax during the years 1979-80 onwards



is presented below:

<i>Year</i>	<i>No. of Properties Surveyed</i>	<i>No. of Notices Issued</i>
1979-80	70,000	69,640
1980-81	50,000	47,231
1981-82	21,000	20,101
1982-83	21,000	20,616
1983-84	2,00,000	1,91,000

This effort at survey and detection of new properties/addition to properties has created a revenue bank for the department out of which as much number of cases can be encashed every year in the times to come as much the department can succeed in finalising.

(iii) In the matter of taxation, stick alone does not lead to success. If the tax-payers have a feeling that they are being discriminated against *vis-a-vis* a few others in the matter of application of law, discontentment is bound to arise and they are bound to resist the efforts at collecting revenues. This was true about the legal position that was created after the Supreme Court judgment. The department studied the entire legal situation carefully and formulated a uniform assessment policy which slowly but steadily resulted in tax-payers' satisfaction with regard to the application of law in the matter of assessment of properties and disposal of General Objections. The result was that the initial trend of increase in the number of General Objections which was witnessed during the years 1981-82 and 1982-83, as mentioned above, was reversed. Against the number of General Objections received during 1982-83 of 17967, the number of General Objections during 1983-84 and 1984-85 has been 14500 and 8500 respectively. The tax-payers' satisfaction in turn helped in better revenue collections.

(iv) While the uniform and well-studied policy of the department in the matter of assessment of properties and disposal of General Objections resulted in tax-payers' satisfaction, special efforts were also made for removing public grievances. In this regard, the pendency of applications for mutation/sub-division of properties for considerable period was a major cause of public grievance. The department devoted entire month of September, 1983 on the disposal of all such cases filed with the department upto August 14, 1983. Public notices were issued in the press calling upon the concerned applicants to visit their zonal offices and assist the officers in finalising their pending cases. The result was that 2936 such cases pending for quite some time were all disposed of during the period of one month. This was much more than the total number of such cases finalised every year. The revenues which were lying blocked in such disputed

cases flowed in and contributed to the efforts at maximising of revenue collections.

(v) Apart from the various efforts made by the department as explained above, the morale of the officials working in the department was raised. They were made to feel that they are working in a very important department and their efforts contribute not only towards assessment of properties but towards providing of much needed funds for the welfare of the citizens of Delhi. The officials, therefore, put in their best, worked hard upto late in the night including on Sundays and holidays. They tried to reach the taxpayers at their door-step not only for collection but also for assessment of their properties. Assessment and recovery camps were held on Sundays and holidays in various colonies and the department was able to extract maximum possible cooperation from the tax-payers through personal contacts.

#### LEGAL LOOPHOLES

Although the department has achieved optimum efficiency by the various methods discussed above, there is no denying the fact that there are certain basic shortcomings in the legal provisions which were framed as back as 1958. There is no provision for levy of interest on delayed payments which provides allurements to the business minded tax-payers for utilising municipal revenues for their profit making endeavours. There is, therefore, a tendency to defer the payment of the municipal taxes as long as one can afford. The loopholes regarding filing of civil suits/writ petitions whereby the total tax payable is stayed for indefinite period as soon as a writ/suit is filed needs to be plugged. Since the present provisions regarding filing of appeals with the Distt. Judge require payment of tax in dispute before the Distt. Judge can proceed to hear and decide the case, there are very few appeals being filed against the final orders of assessment and there is a continuous increase in the number of suits/writs being filed. Since the suits/writs relating to property taxes do not come in the priority list of the law courts such cases remain pending for decades and stay is easily granted for all subsequent years on the basis of stay granted in the first suit/writ. The result is that municipal revenues remain blocked for decades which in turn provides incentive to many other tax-payers for going in for suits/writs in preference to filing of appeals.

Even the District Courts where some appeals are filed deal with tax cases in the same manner as they deal with other civil cases. Cases are decided in favour of the tax payers and assessments are quashed by the District Courts as also by the Lower Courts and High Court on very technical grounds rather than on the basis of

justice and fair play. It, therefore, appears necessary that suitable amendment to the DMC Act should be made debarring filing of suits/writs completely but at the same time the provisions relating to filing of appeals also need amendment. As in the case of the Income Tax Department, a provision for departmental appeals should be made with the Assessor (Appeals) as the first appellate authority and the Assessment Tribunal as the second forum for appeals. The Tribunal should be the final authority on questions of fact while on questions of law references can be made by the Tribunal to the High Court on an application by the tax-payers or the department. The officers hearing appeals at the first stage as well as at the second stage should be those who had sufficient experience of assessment of properties. They would then be able to deliver justice both to the tax-payers as also to the department and would not decide cases on mere technicalities.

There is another major loophole in the provisions relating to levy of property taxes. Although the tax-payers are supposed to intimate in writing the factum of construction/occupation of a building or addition to a building within 15 days of such construction or occupation, it is never done by the tax-payers. Although ignorance can be one of the reasons for this but the major cause for this indifference appears to be the ineffectiveness of the consequences that can flow from the violation of this provision contained u/s 129 of the DMC Act. The violation of this provision can be punished by a competent Magistrate after the Commissioner launches a prosecution in his court and the case is tried which takes years together. What is more, the maximum penalty that can be levied in such cases is Rs. 50 which may or may not be levied at the discretion of the Magistrate. Since the purpose of the provisions relating to property taxes is not basically penal in nature it may not be worthwhile to increase the amount of penalty but the interest of municipal revenues should be secured at the same time. It would, therefore, suffice if the provisions of sections 124/126 are linked to the provisions of section 129 providing thereby that the liability to pay tax shall commence from the date of completion or occupation whichever occurs first in case the tax payer does not intimate the factum to the A&C department in writing.

There can be many suggestions for amending the DMC Act in order to bring it in line with the requirements of the present tax world. However, the above three major amendments can remove the major shortcomings in the provisions. □

## *Provision of Municipal Fire Services with Special Reference to Baroda*

ARCHANA R. DHOLAKIA\*

RECENTLY MORE and more emphasis has been given to economics of different public goods like health, education, transportation, etc. However, the economic aspects of Fire Suppression Services (FSS) have largely been ignored in India. In fact, it is one of those public goods whose provision is essential on welfare grounds. If welfare considerations are not to be sacrificed, the private sector would have very little scope or incentive for its provision since it necessarily involves over-installation of the capacity on account of non-excludability, externality and non-rivalry in consumption. However, the extent of over-installation is governed largely by the modal rate of fire alarms which is comparable with services like crime-prevention and transportation, where it is the modal rate of crime and modal rate of traffic respectively which are important determinants of the extent of capacity. Like electricity and water, the supply of FSS in India is also a monopoly of the local government which provides these services at a very reasonable price without emphasizing the profit motive. Moreover, like medical and police services, the FSS should also be provided immediately and adequately, because the delay in supply will cause greater loss in terms of assets and human lives.

A systematic study of any public utility requires the careful consideration of following five aspects, viz., (1) Defining and measuring the output of a service; (2) Determination of the extent of a service; (3) Geographical distribution of a service; (4) Efficiency of a service; and (5) Pricing of a service. The valuation of output of FSS poses a number of problems because, the output is defined negatively and the benefits cannot be ascribed fully to FSS alone. Section I discusses these problems. The extent of services is largely dominated by the uncom-

\*I would like to thank the officials of the Fire Department of Baroda City for providing necessary information. I am also indebted to Dr. R.H. Dholakia for his helpful criticism and invaluable suggestions.

parable urgency for FSS as compared to other services like health and police protection and the poisson type distribution of fire incidence rate. Section II considers the problems regarding the determination of the extent of FSS. Problems regarding the geographical distribution of FSS which are considered in Section III of this paper, are very crucial because the benefits to the population differ according to proximity to the service. Moreover, the basis of distribution can differ giving rise to different geographical allocation of the FSS. Problems regarding the measurement of the efficiency of FSS arise because the output is defined negatively. Section IV is devoted to this aspect. Pricing of the FSS raises some important issues as discussed in Section V, because the overconsumption of FSS is ruled out and demand is totally inelastic with respect to price. Thus, the present paper discusses some of the theoretical issues by providing necessary illustrations from Baroda city. The figures used are directly taken from readily available published sources without making efforts to restore strict comparability. In other words, the figures used in this paper pertaining to Baroda Municipal Corporation (BMC) are largely illustrative of the broad magnitude rather than scientific estimates for the extent.

## I. DEFINITION AND VALUATION OF THE OUTPUT

The goal of the FSS is to limit the loss of assets and human lives, implying thereby that it is not to enhance positively the stock of human or physical assets. This is similar to health services because, as in case of health the saving of life is considered to be the output of health service. In case of FSS the saving of both the assets and human life is considered to be the output of FSS. Thus in both these cases output is defined negatively for, both of them involve saving. However, the point of distinction between these two services is that, to the extent medical care increases life expectancy and other physical qualities of life, the output of health could also be defined positively whereas in case of FSS it has to be necessarily defined in a negative way.

The way of defining the output of FSS gives rise to one important issue: whether the cost-benefit analysis of such a service could be justified and if yes, to what extent? Lancaster (1971) cites an example of jetplane and earplugs in the similar context. He argues that, in an economy, the increased production of jetplane is often followed by the increased production of earplugs. Now, the production of earplugs has increased just to offset the negative noise effect of jetplanes and hence cannot be said to have added positively to the welfare. In a similar fashion, as the development proceeds, the

consequent high rate of industrialisation and urbanisation calls for the provision of FSS through the increased probability of fire incidences. Now the increased risk of fire can be looked upon in this case as the cost of development of the society. To the extent FSS is provided to reduce the negative effects of the process of development, the separate analysis of cost and benefit of FSS is not justified. For instance in Baroda, the project of pipeline gas has already provided for the additional FSS to compensate for the negative effects of the gas project, namely, the increased rate of accidents. This means that benefits due to additional provision of FSS have already been considered within the gas project. Now, if a separate cost-benefit analysis based on fire accident data from the fire station of Baroda city is attempted, it would amount to a double counting to a large extent. Apart from such projects, in a city, there is overall high probability of fire due to external diseconomies of inefficient co-existence of individual as well as industrial units which makes the provision of FSS inevitable. These are the consequences of development. If we accept the development process as inevitable and hence also the provision of these services, then the problem is to utilise the given resources in the best possible manner. It is in this context that, while determining the extent and geographical spread of FSS, the cost-benefit analysis could be of help.

The valuation of benefit is quite a difficult task. In the first place, the estimate of what has been saved or alternatively, what would have been lost but for the utilization of FSS should be made. This involves the valuation of physical assets and still more difficult, the valuation of human lives which are saved. However, such an exercise is not possible to carry out always. For example, in case of Baroda, data regarding what has been saved by providing FSS have not been maintained and hence the valuation of assets and lives saved is almost impossible to make. Even if we have such data, the real question is—how far are we justified in ascribing the whole amount of saving only to FSS? The role of other services like health, communication, and other infra-structural facilities is also very important and must be recognised in this regard. The reason is, even if we have the best possible type and amount of FSS, if the communication service is not there or it is inefficient, the losses due to fire will be much more and sometimes so severe that it will make the provision of FSS meaningless. This means that, if FSS is to have some meaning, the efficient communication system is a must and, therefore, a part of total saving of assets and lives should also be allocated to communication services. Rural areas, where the telephone system is inadequate and sometimes non-existent suffer most on this count giving rise to an important equity issue. The second important service which adds meaning to

FSS is medical care. In many incidences of fire, the immediate medical care must necessarily follow the FSS in order to save human lives. To the extent medical care has contributed in this regard, some benefits should also be apportioned to it without which survival would have become impossible in certain cases.

Like communication and health, other infrastructural facilities are also very important for the effective use of FSS. For instance, Baroda at present is facing a problem of traffic congestion on certain routes. Among these, the road connecting to Panigate and Nyayamandir and the only bridge near the Sayajibaug are highly overcrowded facing regularly the problem of traffic-jam during peak-hours. If, suppose, the additional bridge is constructed or the roads are expanded to reduce the traffic congestion, it will also help the fire engines to travel quickly through these roads in case of fire incidences during peak-hours. Thus the expansion of road adds to the efficiency of FSS through reduction in travel time *via* reduction in congestion and to that extent a part of benefits should also be allocated to such services. The total volume of saving in terms of assets and lives thus is the result of all such services over and above FSS and, therefore, the total benefits should be allocated to all these services. The empirical issue here is to apportion benefits among various other services along with FSS. Unless this issue is resolved somehow, the cost-benefit analysis even if justified on theoretical grounds, can hardly be carried out effectively in practice.

## II. DETERMINATION OF THE EXTENT OF FSS

The outbreak of a fire presents a requirement for the service and the service should be provided immediately to extinguish the fire if losses are to be limited. Time is very crucial here, even more important than in other services like police and medical-care because in later cases, by and large, the urgency of time is in terms of days and hours, whereas urgency of time in case of fire is always in terms of minutes and seconds. This factor tends to dominate the consideration of supply of FSS. Not only that the response of a fire station should be quick, but it should also be efficient in the sense that, the time taken to extinguish the fire should be as short as possible. This means that a fire department has to provide fire fighting facilities depending upon the severity of a fire. Major accidents will require relatively greater amount of fire fighting facilities as compared to minor accidents. Moreover, in a city, there could be simultaneous outbreaks of fire in which case, a fire department will have to supply fire-fighting equipments to all of them simultaneously. This implies that a typical fire department has to maintain such number of engines and equipments



which will also meet the demand during the peak period. This is a very special feature of FSS that, it is not the average demand but, it is the modal value or the maximum possible demand within given period which determines the extent of service and, therefore, on an average, there is likely to be overinstallation of the capacity.

This gives rise to an important issue, viz., what should be the optimum extent of overinstallation and how actually can we calculate the service requirement of such a service whose demand is quite uncertain for an individual? The problem can be resolved by using poisson type distribution modal applied by Jan Chaiken *et al.* (1971). In the poisson distribution the probability of an accident for an individual ( $p$ ) may be very low, but for large number of individuals taken together ( $n$ ),  $np=m$  is a fairly predictable constant number of average accidents during the period. As it is wellknown, the poisson distribution could be fitted by estimating only one parameter, viz.,  $m$ . We may have some broad idea about  $m$  for BMC and hence about the extent of capacity installation required to meet extreme demands with attached probabilities. From the data presented in Table 1, it appears that average number of accidents per day does not exceed 1. If we, therefore, take  $m=1$ , the probability of 6 accidents occurring in a day would workout at  $1/2000$  and for 7 accidents in a day it would be about  $1/14,000$ . This suggests that, simultaneous occurrence of six accidents in a day is a phenomenon once in six years. All these six accidents cannot be severe. In fact, looking to the number of severe accidents, it suggests that hardly one out of these 6 could be severe requiring more than one engine at a time. This would imply that, provision of 8 to 9 fire engines in Baroda can effectively meet any demand challenge. It should be pointed out, here, that these are rough and ready calculations. However, looking to the actual number of engines maintained in the city (16 existing + 14 proposed) one starts wondering about the optimality of over-installation of capacity in this public utility.

Another approach to determine the extent of this service is to carry out regression analysis defining a model for the determinants of probability of fire incidences in an area. Jan Chaiken *et al.* (1971) and Jayraman (1978) have attempted such an analysis. Jan Chaiken *et al.* have considered the factors like location, time (year, season, day of week and hour), method of reporting (box, telephones, etc.), and weather conditions (temperature, relative humidity and precipitation). On the other hand, Jayraman considers degree of urbanisation, commercialisation, density, and quality of services as the determinants for the extent of FSS. His results are not only statistically insignificant but his methodology also involves dubious econometric problems like incorporating intrapolated variables in a regression equation.



From a practical point of view, the set of relevant determinants appears to be consisting of: (1) density of population; (2) density of industries; (3) composition of industries; (4) structure of buildings; (5) type and quality of infrastructure facilities, *e.g.*, the existence of facility like natural gas, open electric wire fittings vs. underground wire fittings, etc., which affect the probability of fire incidences in a city. It becomes clear from Table 1, that from the year 1973-74, the year from which the natural gas facility has been provided in Baroda, the number of accidents have sharply increased. Compared to the number of accidents during 1962-1972, it has almost doubled during the years 1973-1982. After identification of such relevant factors, a systematic effort should be made to establish functional relationship between rate of fire-incidences on one hand and all other factors on the other to calculate the optimum requirement of the extent of FSS.

TABLE—1 ANNUAL NUMBER OF FIRE ACCIDENTS AND RECEIPTS FOR FIRE STATION IN BARODA: 1962-63 to 1981-82

Years 1962- 1982	No. of accidents		Loss of property in the city due to fire (in Rs.)	Receipts in Rs.			
	Within BMC limit	Outside the BMC limit		From Ambulance	From Dead- body van	From Fire Engine	From Water Tankers
1962-63	111	27	67,375	6,791	1,165	2,054	7,820
1963-64	83	15	30,224	5,227	5,660	6,031	12,069
1964-65	248	39	28,850	5,693	8,403	26,701	10,677
1965-66	244	31	7,000	10,117	8,348	9,232	10,117
1966-67	211	35	11,000	12,766	6,497	9,744	18,728
1967-68	173	36	79,000	15,498	14,288	7,530	23,127
1968-69	189	25	4,92,290	15,494	21,982	11,501	23,348
1969-70	177	21	4,38,875	20,061	33,665	9,711	20,012
1970-71	190	33	1,68,700	22,267	34,873	6,053	17,250
1971-72	189	43	33,850	27,864	38,590	8,068	18,435
1972-73	192	47	1,11,495	28,184	55,602	27,133	35,384
1973-74	397	50	2,35,000	35,525	52,789	22,597	25,911
1974-75	349	32	11,27,725	40,123	56,771	11,778	62,979
1975-76	213	23	15,24,015	34,704	66,597	14,404	88,867
1976-77	271	33	7,73,435	42,518	68,373	18,436	50,839
1977-78	312	40	26,76,050	38,623	73,697	37,506	60,868
1978-79	299	27	27,97,400	44,919	87,531	29,771	58,648
1979-80	325	23	40,10,090	59,175	1,04,625	41,653	73,427
1980-81	298	56	16,19,409	68,008	1,19,418	41,612	98,525
1981-82	285	47	13,73,420	97,873	1,57,533	40,699	91,447

NOTE: The total expenditure incurred by the fire department on both capital and current account comes to Rs. 28,35,711 for the year 1981-82 at current prices.

SOURCE: Fire Station, Baroda.

### III. GEOGRAPHICAL DISTRIBUTION OF FSS

The geographical spread of the FSS is very important if the benefits from FSS are to be optimised. The reason is, the benefits to individuals of FSS differ greatly depending upon the proximity of the fire station to their houses. Nearer the fire station, quicker the response and relatively greater amount of potential saving of assets and lives. This implies that FSS could not be regarded as a pure public good where all the persons benefit equally. This calls for the special attention to distribution of FSS. Even in case of emergency services like health and police protection, the benefit with respect to location do not differ as greatly as in case of FSS because in FSS the emergency is very acute and, therefore, travel time always has significant implications in terms of loss of assets and lives. There is ample empirical evidence which shows that response time and risk of damage are positively related. The studies carried out by Corman *et al.* (1976) and Hogg (1973) suggested that travel time is the important determinant in regard to the geographical distribution of FSS. That seems to be the reason why in Baroda, instead of one fire station we now have four fire stations in four different directions. Four more fire stations are also proposed to be installed by BMC to reduce response time.

However, the real issue is—on what basis the geographical distribution of FSS could be determined? A model developed by Rider Kenneth (1979) is very important in this regard. He argues that there could be three alternative objectives on the basis of which the actual distribution of FSS could be made. They are: (1) Equalisation of average time, (2) Minimization of the average city wide time, (3) Equalisation of the average fire company workload. Each of these objectives may be conflicting and may lead to different distribution of FSS. Rider's model allows us to derive implicit weight given to each of this objective from actual distribution of FSS. Alternatively, if we know the weights to be given to each of these objectives, we can determine the geographical distribution of FSS. So, the real issue now is to fit the objective function by giving proper weight to each of these objectives. This can give us the optimum geographical distribution of FSS. It may be mentioned here that data requirements of the model are far in excess of what is available from the fire department of Baroda city. It complicates the empirical issue of deciding the extent of the optimality of FSS distribution in the city.

### IV. EFFICIENCY OF FSS

In the case of services like FSS, the concept of efficiency should be thought of as the effectiveness of meeting the objective behind the

provision of the services. Jayraman (1978) has made an attempt to measure the quality of FSS by considering the proportion of houses saved during a given period of time. This is a very unsatisfactory way of measuring efficiency of FSS, firstly because saving by FSS is a relative term and hence cannot be uniquely defined in this context. Moreover, measuring efficiency only by such outcome-biased index would ignore other operational aspects involved in the provision of FSS.

A satisfactory index of efficiency of FSS should consider the following indicators: (1) average response time; (2) average time taken to extinguish the fire; (3) availability density of fire engines; (4) age structure of the fire fighting equipments; (5) availability of specialised equipments per unit of requirement for high-rise buildings, gas accidents, petroleum accidents, etc.; and (6) quality of manpower based on age composition and years of training of the FSS sainiks. The efficiency index based on such factors could be highly useful in inter-city comparison or comparisons overtime.

#### V. PRICING OF FSS

Though FSS shares some of the common features with other public utilities like water supply and health, it differs from them in one very important way. Overconsumption of the service is ruled out in this case unlike water and electricity. Similarly, the consumption of FSS also cannot be encouraged through low price. Thus the demand for FSS is completely inelastic with respect to price, giving rise to a vertical straight line demand curve. Marginal revenue curve in this case is indeterminate and hardly makes any sense. So, the real issue as far as the pricing of FSS is concerned, is whether the price charged should be on the basis of the marginal cost.

In Baroda, there is differential pricing where the residential households are rendered the FSS free of cost and it appears that industries and other non-residential units are charged the price which is almost equal to marginal cost. The charges are Rs. 30 for every four hours or part thereof for one fire engine. From the fire station, it was learnt that per fire engine, 6 sainiks including driver are assigned. Taking Rs. 500 p.m. as the average salary per sainik in 1974 when these rates were fixed, we get Rs. 25 as the wage cost of six sainiks for four hours. We are assuming a working day of sixteen hours. Rs. 5 seems to be taking care of fuel and other operating charges. Thus the rate of Rs. 30 per four hours for a fire-engine seems to be based on marginal cost considerations. For accidents outside the limit of BMC the charges appear to be arbitrary rather than based on any economic principles. It can be inferred

from figures given by Jayraman (1978) that annual expenditure at constant prices on FSS on capital account has more or less remained the same since 1961-62. Under these conditions, it can safely be assumed that flow conversion of the accumulated capital stock measured at constant prices is equivalent to current expenditure on capital account. After making this assumption, the average cost and average revenue for accident have been calculated, just to illustrate the case, which come to Rs. 8,541 and Rs. 1,233 respectively for the year 1981-82. It appears that almost 85 per cent of the cost per accident is actually subsidised by the BMC.

Free supply of FSS to households may be justified on welfare grounds. However, such a high amount of subsidy to industrial units which are highly responsible for raising the risk of fire, is inexplicable. In this connection it may be noted that recently Rs. 55 lakhs have been sanctioned for specialised equipments required for the high rise buildings in BMC. This money from wherever they come is ultimately from the general taxpayers. Since the central and state governments also provide financial assistance in this regard, we can raise a general issue: why should the urbanites in general and those residing and using the high rise buildings in particular be subsidised so heavily at the expense of general tax payers in the country? Why should we not levy a separate FSS tax on urbanites in general and industries and highrise buildings in particular, which calls for the provision of special kind of fire fighting equipments and hence a special expenditure on it, with concomitantly increasing the probability of severe fire incidences ?

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## *Book Reviews*

*Local Government Finance in the Third World—A Case Study of the Philippines*, (Eds.) ROY BAHL and BARBARA MILLER, New York, Praeger Publishers, 1983, pp. 260.

The study under review is a case study of the local government finances in one of the highly centralised countries of the third world, namely, the Philippines. There the national government selectively delegates powers to its several lower governmental bodies—provinces, cities, municipalities and barangays. One of the stated objectives of the national policy, however, is that local governments should consolidate and grow. What is interesting to note is that despite the central government's stated objective of strengthening the role of local governments in the financing and delivering of local public services, fiscal decentralisation is not occurring. This in background, the study seeks to provide some insights into how the current system works and how it could be made more effective.

The coverage of the study is quite wide. The study is divided into seven chapters. Chapter 1 by Roy Bahl and Larry Schroeder discusses the local government structure, financial management and fiscal conditions. Chapters 2 and 3 again by the same authors present an intensive investigation of the two most important local taxes in the Philippines—Real Property Tax and Business Licence Tax. Further in chapter 4, they have presented a critical analysis of intergovernmental fiscal relations. The different allotment schemes have been scrutinised pinpointing their limitations along with the problems of surplus and deficits in the local government budgets. In chapter 5, David Greytak and Benjamin Diakno have examined the performance and possibilities of local government public enterprises—markets and commercial ventures with reference to raising local non-tax resources. Chapter 6 on credit financing by Kenneth Hubbell addresses the problems and prospects associated with financing of capital expenditure through loans. In the last chapter, Roy Bahl reviews the findings and suggests conclusions, alternative policies, directives, future research areas and implications.

The contribution by Roy Bahl and Larry Schroeder has brought out certain features of the local finance system which deserve special

mention. Firstly, whereas the basic system of local government is fundamentally sound in terms of administrative procedures, budget format and the like, annual budgeting is taken very casually leading to less efficient actual planning of fiscal affairs both on current and capital accounts. Secondly, whereas the central government seems to have decided that local fiscal affair must be highly controlled, the lack of coordination of government controls by different units of the central government has constrained the growth of local expenditures and the advantages of centralisation have not been capitalised. Finally, since the central controls may have limited the discretion of local governments, the latter may have accumulated substantial cash balances and this may have reduced willingness on their part to increase tax efforts.

These features of the general financial management are manifested in the different areas of operation. For example, while the structure of the real property tax is sound and the quality of assessors and assessment practices impressive, the revenue performance has suffered from a poor record of enforcement. The basic administrative difficulty of the business licence tax lies in the determination of tax base, *i.e.*, gross receipts. Further, there is a substantial difference between the grants system that exists in the statutes and the one that is actually practised. Central transfers are full of ad-hocism and year-to-year adjustments.

The authors have also analysed the various allotment programmes and have argued for integrating them into a consolidated allotment system with a view to provide incentive to stimulate mobilisation of additional local revenues and undertake development spending. The study has very aptly cautioned that unless the absorption capacity of local governments is known, funds should not flow to them. The authors have very correctly argued that whereas tax efforts by local governments should be included in the distribution formula, the allotment distribution should also aim at improving the capacity of local governments to assess and collect taxes properly.

There are very few studies of local government public enterprises. The study by Greytak and Diakno is thus of considerable interest. They have discussed the feasibility of developing public markets and commercial ventures as a source of local government finance. The lessons that they have drawn are of high policy implications for those third world countries which propose to use non-tax resources more significantly. Lack of access between municipalities and their hinterlands because of poor road links and competition between the markets of larger and smaller municipalities pinpoints the need for a more vigorous infrastructural programmes in the transport sector and formal coordination between the municipalities of different sizes.

They find that if vigorous project appraisals are undertaken before launching public markets and commercial ventures, there are good possibilities for local governments and management constraints may not be so great as one might expect. The latter is one of the very important findings that the study has obtained because it has been argued that the activities of local governments are greatly constrained by the non-availability of skilled personnel at the local level. Actually this is one of the arguments that is put forward against decentralisation of functions and responsibilities.

While discussing the subject of credit financing, Hubbell has discussed merits and demerits of whether creation of a new specialised agency to look after the credit requirements of local governments is worthwhile. Actually such a scheme may be quite in tune with the decentralisation strategy. Although, ultimately such an agency would depend on the central government for its funding, it would be quite useful to have an agency with expertise in project appraisal and management development with special reference to local projects. The suggested change in the present lending policy needs special consideration. The strategy proposes essentially to lower the 'price' of borrowing. The thrust of the strategy is that the interest rate should be set to vary inversely with the amount of cash equity a local government has in the project and to lengthen the maturity of loan to more accurately reflect the economic life of the asset being financed. This kind of matching formula would not only promote a sense of participation among local governments but would also help in augmenting additional resources. It is quite evident that even reasonable success in the field of credit financing of local government capital expenditures would accelerate the pace of development expenditures which would ultimately expand the scope for further resource mobilisation.

On the whole, the papers included in the present edited volume offer an elaborate and most up to date analysis of the functioning of the different spheres of local governments in the Philippines. The policy findings of the study are quite apt and are capable of providing considerable insight to the policy makers of third world countries. What is essential to notice is that the significance of local governments is recognised even in a highly centralised structure of the kind the Philippines has. The conclusions of this study are of considerable value for those countries which not only have adopted decentralisation strategy as one of the major objectives but have also accomplished highly decentralised structure such as India.



*Financing Regional Government: International Practices and Their Relevance to the Third World*, K.J. DAVEY, Chichester (U.K.), Wiley, 1983, pp. 193, £ 12.95.

The book is essentially concerned with the problems of financing state-local governments in the Third World in the light of international experience in both developed and developing world. The emphasis, however, is on inter-governmental fiscal relations to bridge the gap between the expenditure needs of the sub-national governments and their domestic revenues. Obviously, the practices vary so widely that one wonders whether it is at all useful to catalogue these differences without relating them to certain recognisable patterns, in spite of their obvious differences in the constitutional, political and economic situations. Countries having established review mechanisms have already adopted methodologies for relating national fiscal transfers to predetermined levels of expenditure by the sub-national governments; countries adhering to plan expenditures adopt some form of gap-filling of sub-national budgets; others have transfer practices depending on pressures that the sub-national governments exert from time to time. To discuss all these arrangements—especially in countries where these typologies overlap—may be somewhat confusing, especially when discussed in the vacuum of a specific context. Unfortunately, Davey's well-documented and extremely well-written book suffers from these generalisations where many of the practices mentioned may not be properly understood in an across-the-board comparative narration.

The book is written in the belief of the virtues of decentralisation to which not many of the Third World countries are enthusiastic adherents. However, many of the author's insights are valuable—e.g., his prognosis of fiscal crisis of local governments depending primarily on property tax, his scepticism of user charges on public and semi-public goods, his cautious note to use mathematical formula based on untested assumptions, his rider about capitalisation as a method of financing sub-national public utilities where distributive considerations may override their wider purposes, and so on.

The writer deliberately avoids the use of technical jargons and throughout his robust common sense predominates the discussion. The only shortcoming that one notices is the absence of an indepth discussion of inter-governmental transfer mechanisms in a few selected federal and unitary countries which could serve as models for emulation throughout the Third World.



*Urban Planning in the Third World: The Chandigarh Experience*,  
MADHU SARIN, London, Mansell Publishing, 1982, pp. 266.

The book is a case study of planning the new town of Chandigarh as the capital of the new state of Punjab in independent India. It attracted worldwide attention due to the association of Le Corbusier with its design, which was finalised within a matter of days. The prophetic vision of the 'master' unfortunately showed no empathy for the urban poor for their living and livelihood. It is a matter of conjecture whether the situation would have been different for the informal sector if the planning task was entrusted to a lesser mortal 'with a humanistic approach', like Albert Mayer. Madhu Sarin thinks that it would. At the same time, she argues that the blame for town planning distortions that are apparent in a new town like Chandigarh lies in the economic relations subsumed under a capitalist society dominated by the national and international elite market. Her solution is to mount suitable government economic programmes that would enable the urban poor to wrest greater economic control of their environment. From this angle, she thinks that town planning to be neutral and, therefore, be made a positive instrument for social and economic change.

To begin with, no planning is completely neutral—it is an activity for a desired change. Even when the conventional town planning has no professed economic objective, it has many economic implications—some of these may be quite substantial. The conventional master plan—with or without Le Corbusier and Albert Mayer—never quite came to grips with the people for whom it is meant, except in aggregative terms. That a city is more than a spatial void in which differentiated people would live, interact with each other, earn livelihood, and would like to participate in the ordering of the physical environment, is something alien to the town planner and the city architect. Even if the economic system undergoes a change—through socialisation of labour, as Madhu Sarin would have it—the physical reorientation of a city may not result automatically. Therefore, it is much more useful to examine how to integrate important social and economic objectives with the brief of a physical plan. This calls for a major reorientation of urban planning techniques as of today. Unfortunately, Madhu Sarin does not indicate the methodology for such a reorientation—partly due to her fuzzy economic determinism, but mainly due to her unwillingness to follow the logical consequences of her own critique of urban planning in the Third World.

The real merit of the book, however, lies in the wealth of details about the informal sector in Chandigarh through a series of case studies, painstakingly collected and analysed to bring out how the

urban poor, marginalised by the master plan, actually live and earn livelihood in an environment that does not recognise their existence. These case studies collectively represent an indictment of currently practised system of urban planning in a Third World new town; unfortunately these do not lead to any purposive reorientation of the existing planning system through a practical alternative.

—ABHIJIT DATTA

*India's District Industries Centres: An Experiment in Decentralisation of Small-Scale Industries*, A.W. SHEPHERD, DAG Occasional Paper No. 16, INLOGOV, Birmingham, 1982, pp. 18 (Mimeo.), £ 2.50.

It is not clear what message is sought to be conveyed through this case study of India's district industries centres (DICs), created during the Janata regime to promote small industries. The main purpose of the case study was to work out the organisational implications of the experiment. The author lays emphasis on the internal factors responsible for organisational differentiation, such as opportunities for graft and promotion of the functional experts within the DICs, or political linkages with the clients and target groups. In doing so, the author seems to have overlooked the external pressures from the central government to obtain a foothold in its implementation through organisational design, as well as the efforts by the state governments to neutralise such an attempt by activating the coordinating role of the district officer. The contrasting central government objective to promote organisational autonomy, and the ultimate syndrome of dependency of a new organisation like the DICs to the states' machinery reflect the nature of inter-governmental relations in India's federal polity. Unfortunately, the case study does not highlight such external pressures on public organisational development, or their interfaces with relevant internal dynamics of bureaucratic behaviour. Perhaps the author will redo the case study on the basis of more indepth research so as to make it more convincing.

—ABHIJIT DATTA

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## Contents



### Articles

- DEVELOPMENT OF MIGRATION-PRONE REGION: A CASE  
OF RATNAGIRI AND SINDHUDURG DISTRICTS IN  
MAHARASHTRA 1  
*Chandan Sengupta*
- VOLUNTARY AGENCIES AND URBAN ADMINISTRATION 21  
*P.R. Dubhashi*
- INTRA-ETHNIC GROUPS AND URBAN ADJUSTMENT:  
THE CASE OF NORTH-INDIAN IN-MIGRANTS IN BOMBAY 25  
*R.N. Sharma*
- JUVENILES IN SLUMS: A STUDY OF SIX SLUMS IN  
BOMBAY 36  
*G. Pandey*
- ORGANISATION FOR URBAN DEVELOPMENT IN METRO-  
POLITAN CALCUTTA 53  
*Abhijit Datta*
- POLITICS OF URBAN TRANSPORTATION IN CALCUTTA:  
THE CALCUTTA STATE TRANSPORT CORPORATION  
(CSTC), 1948-67 61  
*Amartya Mukhopadhyay*

PROPERTY TAXATION OF THE NIZAM OF HYDERABAD:  
A CASE STUDY

78

*P. Arjun Rao*

**Book Review**

SEVENTH LOK SABHA, ESTIMATES COMMITTEE, 1984-85,  
EIGHTY-FIFTH REPORT : ESTIMATES COMMITTEE, 1984-85,  
EIGHTY-SEVENTH REPORT: MINISTRY OF WORKS &  
HOUSING, DELHI DEVELOPMENT AUTHORITY, NEW  
DELHI, 1984

95

*Gangadhar Jha*

# *Development of Migration-prone Region: A Case of Ratnagiri and Sindhudurg Districts in Maharashtra\**

CHANDAN SENGUPTA

MUCH IS known about the migrants and their places of migration. So far, the entire issue of rural-urban migration in India has largely been discussed, analysed and debated within the broad contours of 'push' and 'pull' factors. Until recently little was known about the impact of migration on the migrating region. Implicit in the current research enquiry into the migrating region is the general assumption that out-migration from a migration-prone area may result in considerable disruption of the ecology of that area in terms of depopulation, drain of rural talent and wastage of other potentialities of the region.

The aim of the present enquiry is to analyse, in broad detail, some aspects of the problems associated with a migration-prone region of India, namely, the Ratnagiri and Sindhudurg Resource Region of Maharashtra State. The course of analysis has been charted out through three broad perspectives: descriptive, analytical and prescriptive.

## DESCRIPTIVE PERSPECTIVE: THE ANATOMY OF THE REGION

### *Physical*

Ratnagiri-Sindhudurg region of Maharashtra is pierced through three parallel but distinct strips. The western part is spread through an elongated coastal line of 288 kms. The breadth of this strip is about 24 kms. The second middle strip measures about 33 miles in

\*This is a part of my larger report "Ratnagiri Migrants in Bombay: Potentialities of Return and Migration Check" prepared for Town Planning and Valuation Department Regional Plan, Ratnagiri, Government of Maharashtra in July 1983. I am grateful to my colleague, Dr. G. Pandey for valuable comments on the central theme of the paper and his suggestion to get it published.

breadth. The third eastern strip which is about 8 kms. in breadth represents the slopy Sahyadri mountain ranges. There are 15 talukas comprising 13 urban centres and 1576 villages. The region has an area of 13, 040 sq. kms. As per 1981 provisional census figure, the region is inhabited by a total population of 21,09,134.

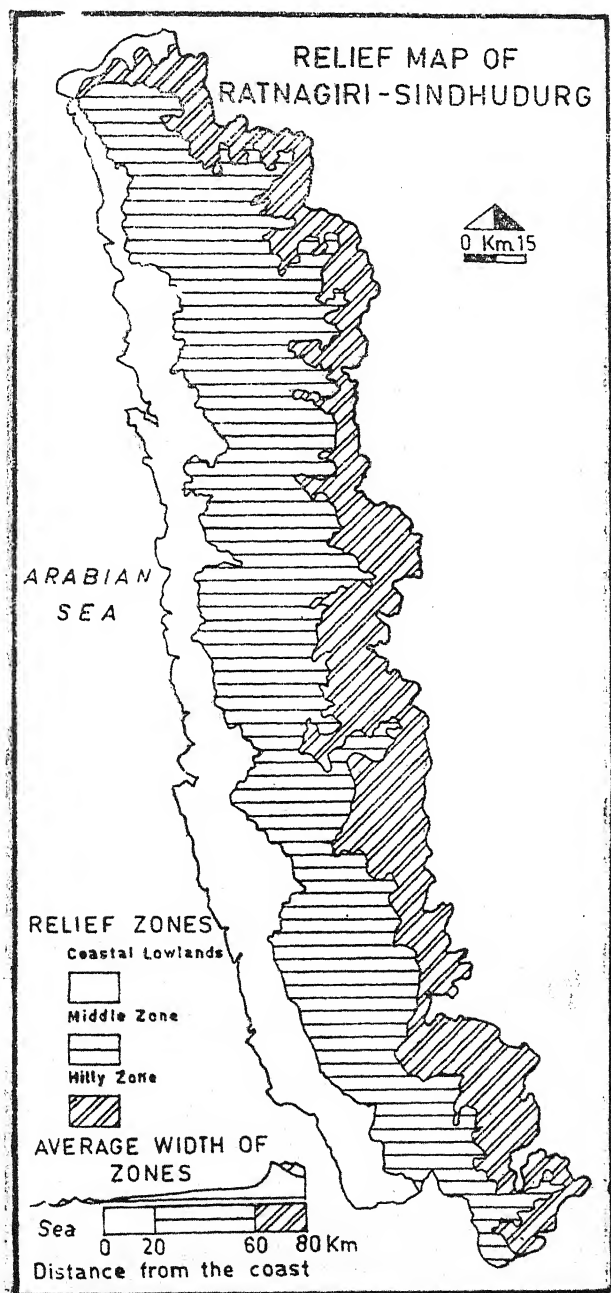
Ratnagiri and Sindhudurg districts are essentially a rainfed region, the average rainfall being 3200 mm. The climate of the region is as good as any other coastal region of the country with a little difference between night and day temperatures. In the opinion of the people in the region, Ratnagiri is blessed with a lush green picturesque which is more prominent in rainy season. However, the place's late winter beauty could not convince the author about such picture. It rather looked like a seat of broken red dry rocky hills except a few aerial beauties of eastern parts. (See Maps on pp. 3 and 4).

The facial beauty or ugliness, however, hardly matters to a thing's barrenness or fertility. The *zaded-looking* region of Ratnagiri and Sindhudurg districts is pregnant with many rich minerals and fruits. There are about fifteen types of mineral resources available in the sand and ocean beds such as silica, almanite, iron ore, ilmenite, bauxite, soap stones, chromite, etc. The relevant fields for development are horticulture, dairy and forest-based industries, fisheries, poultry and production and canning of wines for export from local fruits.

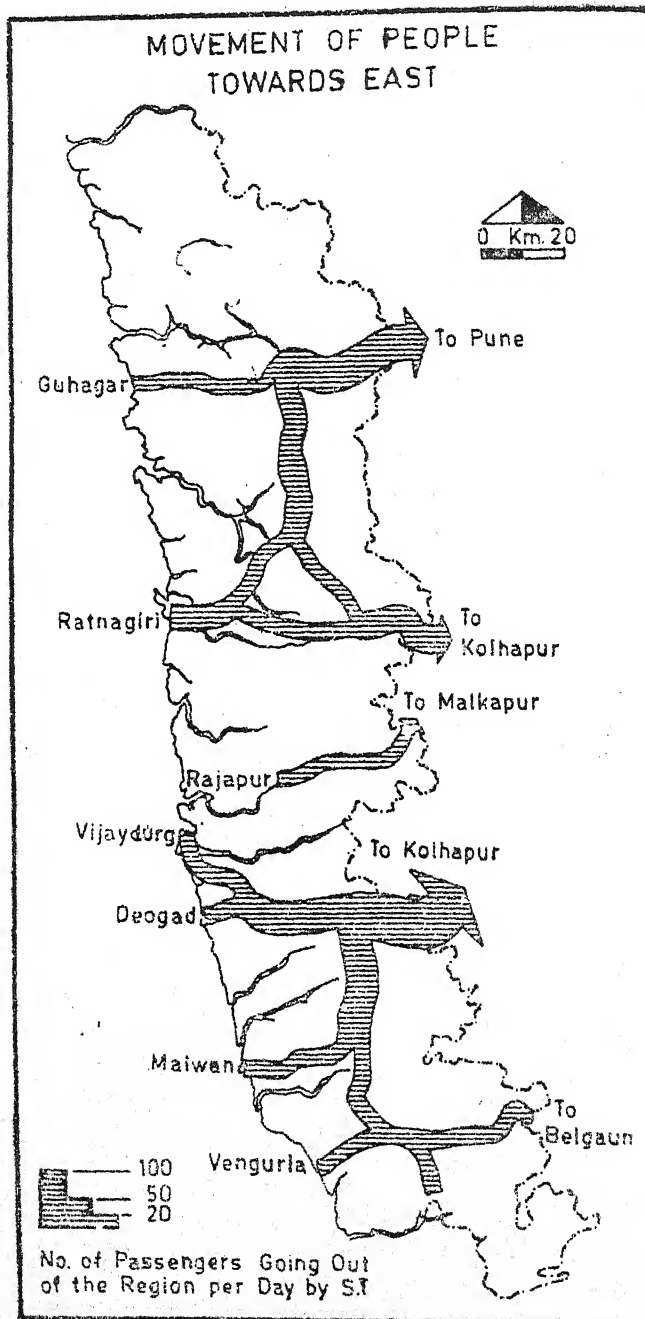
### *Historical*

Ironically, the historical sketch of Ratnagiri and Sindhudurg districts reveals that the region's backwardness is not identical with non-development rather it is the product of uneven development. The main thrust of historical point of view had been that Ratnagiri had to remain underdeveloped because Bombay had to grow. From the available historical records about the region, it would transpire that as such Ratnagiri Resource Region was full of economic and natural resources. Almost every colonial power such as the Dutch, French, Portuguese and British had an eye over the region. The struggle among these powers brought innumerable disorders in the regions's economic and ecological balances. When British took over the region it provided the case of Ratnagiri as one more evidence of already pursued colonial strategy for the development of the metropolitan economy at the cost of rural economy.

It, therefore, seems reasonable to conclude that much of Ratnagiri's present backwardness can be imputed to the legacy of British colonial policy which still continues to persist in many respects. Writing on this particular aspect of Ratnagiri's history, Savur comments, "As the British had effectively pauperised this area,







Ratnagiri now became incapable of throwing up powerful leaders who could lobby for its development and reap benefits from it, as the sugar barons elsewhere have done. In the ultimate analysis Ratnagiri continues to be an area of reserve labour, because its natural resources are unexploited, its land is under-utilised, leading to demographic imbalances, which in turn, results in large scale out-migration and lack of protest movements."<sup>1</sup>

### *Socio-Economic*

Data from the available survey report on the various socio-economic characteristics of Ratnagiri-Sindhudurg Resource Region suggest that the region represents a typically backward area.<sup>2</sup> The majority of the population in the region is either Kunabi or Bhandari which are classified as "other backward communities" in Maharashtra. So far as educational level of the region's population is concerned, pure illiteracy is less prominent in the region. But the subsequent proportions in various levels from primary to middle and then secondary, fall almost by 50 per cent and very sharply thereafter (Table 1).

TABLE 1 EDUCATION LEVELS IN THE SURVEYED POPULATION  
(Excluding 0-4 Age-Groups)

Sr. No.	Level of Education	No. and Proportion of Persons							
		LM Villages		HM Villages		Urban Areas		Regional Total	
		No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
1.	Illiterates	2487	38.1	2350	39.3	665	13.1	5502	31.3
2.	Primary	2044	31.3	1884	31.5	916	18.0	4844	27.6
3.	Middle	1161	17.8	1044	17.5	1087	21.4	3292	18.7
4.	Secondary	608	9.3	541	9.1	1252	24.7	2401	13.7
5.	Junior College	169	2.6	104	1.7	733	14.4	1006	5.7
6.	College	41	0.6	41	0.7	348	6.9	430	2.4
7.	Others	23	0.3	9	0.2	79	1.5	111	0.6
TOTAL		6533	100.0	5973	100.0	5080	100.0	17586	100.0

SOURCE: Report on Socio-Economic Characteristics of Ratnagiri-Sindhudurg Resource Region, Ratnagiri-Sindhudurg Regional Planning Board, 1983.

LM=Low Migration.

HM=High Migration.

<sup>1</sup>Manorama Savur, "Ratnagiri—Underdevelopment of an Area of Reserve Labour Force", *Sociological Bulletin*, September, 1982, pp. 203-4.

<sup>2</sup>Ratnagiri-Sindhudurg Regional Planning Board, *Report on the Socio-economic Characteristics of Ratnagiri-Sindhudurg Resource Region, Ratnagiri*. The report is based on sample survey covering little less than 1 per cent (i.e., 3723 households) of the total households in the region (i.e., 4,00,00 households).

The sex structure as indicated in Table 2, in the region is very much imbalanced especially in the high migration villages. The reason for having a higher proportion of females in the region as a whole is that the migrants from the region are predominantly the able-bodied men.

TABLE 2 NUMBER OF FEMALES PER 1000 MALES

	<i>LM Villages</i>	<i>HM Villages</i>	<i>Urban Areas</i>	<i>Average as a whole</i>
1. Ratnagiri Dist.	1170	1364	985	1171
2. Sindhudurg Dist.	1148	1164	1047	1126
REGION AS A WHOLE	1160	1277	1009	1152
Comparable Census Figures are:		1981		1971
Ratnagiri District		1264		1262
Sindhudurg District		1201		1211

SOURCE: *Report on Socio-Economic Characteristics of Ratnagiri-Sindhudurg Resource Region*, Ratnagiri-Sindhudurg Regional Planning Board, 1983.

Data on economic characteristics of the region also reflect the under-developed nature of Ratnagiri-Sindhudurg areas. Agriculture and horticulture are predominant occupations of this region. Gains from these activities are very insignificant because the proportion of land under these activities is very small and the region depends heavily on monsoon. Only 18.33 per cent of the region's area can be used for cultivation and horticulture activities. As per the 1981 census data, the proportion of cultivators to the total workers in the region as a whole is 65.84 per cent. The size of holding is very small for the population in high migration villages of the region (Table 3). In high

TABLE 3 HOLDING SIZES IN THE SURVEYED VILLAGES

<i>Area of Holdings</i>	<i>Percentage of No. of holdings in LM Villages</i>	<i>Percentage of No. of holdings in HM Villages</i>
0 to 20 Ares.*	49.1	67.2
20 to 40 Ares	23.2	14.9
40 Ares to 1 Hect.	16.7	9.4
1 to 2 Hect.	5.5	4.3
2 to 5 Hect.	3.5	3.0
5 to 10 Hect.	1.7	0.8
10 to 20 Hect.	0.3	0.3
20 to 50 Hect.	0.0	0.1
50 Hect. and above	0.0	0.0
	100.0	100.0

\*20 ares are less than  $\frac{1}{2}$  acre.

migration village again only 3 per cent of holding has an area of 2 to 5 hectares of lands.

As regards industrial activities, it may be observed that the region is virtually devoid of large scale industrial establishments. The survey report on industry shows that the most predominant groups of 588 reporting industrial units comprise saw mills, food products and few engineering industries which mostly carry out fabrication and repair works (Table 4). The total employment in these units is little more than 8000 persons, the average number of persons employed per unit being 14.

TABLE 4 TYPES OF INDUSTRIES

Sr. No.	Category	Ratnagiri Dist.	Sindhudurg Dist.	Total
(1)	(2)	(3)	(4)	(5)
1.	Saw Mills	52	53	105
2.	Furniture and other wood works	18	26	44
3.	Horticulture based units	8	11	19
4.	Agriculture based units	—	6	6
5.	Fish canning and fish meal cold storages, etc.	16	11	27
6.	Minerals based unit	1	1	2
7.	Printing Press	31	28	59
8.	Service Industries	5	1	6
9.	Soap and Chemicals	8	4	12
10.	Machinery, engineering, fabrication, auto works, repairs, etc.	52	30	82
11.	Construction materials, tiles, etc.	9	9	18
12.	Plastic and Novelties	18	24	42
13.	Utensils and Tin works	8	6	14
14.	Food Products	49	54	103
15.	Leather Works	4	3	7
16.	Medicines and Surgicals, etc.	2	5	7
17.	Misc. sugar factory, glass works, milk schemes, textiles, electrical goods, etc.	13	20	33
TOTAL		296	292	588

SOURCE: *Report on Industry and Mining*, Ratnagiri-Sindhudurg Regional Planning Board, 1983.

One of the important indicators of the profile of the economy of a region is income. Data on per capita annual income of surveyed village would show that majority of population in the villages of the region had been living below the poverty line which was placed at Rs. 700 per capita in the year 1982 (Table 5).

TABLE 5 PER CAPITA INCOME

	<i>LM Villages</i>	<i>HM Villages</i>	<i>Urban Areas</i>
Region as a whole	506	409	1408
Ratnagiri Dist.	465	363	1619
Sindhudurg Dist.	563	486	1089

SOURCE: *Report on Socio-Economic Characteristics of Ratnagiri-Sindhudurg Resource Region*, Ratnagiri-Sindhudurg Regional Planning Board, 1983.

Ratnagiri-Sindhudurg region is often referred to as an area of money ordering economy. The region receives an estimated Rs. 25 crores by money orders annually. Though exact information about the proportion of money order receipts to the total income of the region's households was not available, a rough calculation based on total money order amount and its share per household, revealed that income from money order constituted about 40 per cent of the income of an average household of the region.

As regards the expenditure of the household in the region, the report on the Socio-Economic Characteristics of the region estimated that a rural household had spent Rs. 702 and an urban household spent Rs. 667 annually for consumption purposes. The report further adds that every year grains to the extent of 7 months' requirement are imported from outside the region and part of the remittances are spent on the purchase of this food.

#### ANALYTICAL PERSPECTIVE

##### *Out-Migration*

Though famous for its special variety of mango, Ratnagiri, until recently, had a special attraction to demographers for another reason—notably, its out-migration. Recently, the migration pattern from Ratnagiri district to Bombay has undergone a few changes.<sup>3</sup> As per the 1971 census which is the latest national source of information on migration, out of the total migrants from Maharashtra to Bombay, 40 per cent are from Ratnagiri (Table 6). In 1961, Ratnagiri contributed 45 per cent of Maharashtra's share in Bombay's migrants. Thus between 1961 and 1971 there is a decrease of Ratnagiri's migration to Bombay by 5 per cent. In fact, the post-independence decades' migration rates from Ratnagiri to Bombay show a declining trend (Table 7). This indicates two things : first, it shows that the migrants

<sup>3</sup>Sindhudurg Region came into existence as a separate district in 1981. Till that time it was a part of Ratnagiri district. As most of the census data are available under the name 'Ratnagiri', the same name has been kept.

TABLE 6 PERSONS BORN IN OTHER DISTRICTS BUT REGISTERED IN BOMBAY

District of origin	Rural		Urban		Not known		Total		Total
	Males	Females	Males	Females	Males	Females	Males	Females	
Migrants	7,10,710	4,12,440	1,45,823	1,28,425	2,810	1,780	8,59,343	5,42,645	14,01,988
Born	57.20	31.40	6.61	4.56	0.15	0.08			100.00
1. Ratnagiri Dt.	3,23,099	1,77,390	37,356	25,785	820	440	3,61,275	2,03,615	5,64,890
	45.46	43.01	25.62	20.08	29.18	24.72	42.04	37.52	40.29
2. Satara	91,310	39,740	9,022	6,395	190	145	1,00,522	46,280	1,46,802
District	12.85	9.64	6.19	4.98	6.76	8.15	11.70	8.53	10.47
3. Pune	57,810	37,625	24,214	25,900	195	190	82,219	63,715	1,45,934
District	8.13	9.12	16.61	20.17	6.94	10.67	9.57	11.74	10.41
4. Kulaba	68,667	40,470	11,587	8,880	200	120	80,454	49,470	1,29,924
District	9.66	9.81	7.95	6.91	7.12	6.74	9.36	9.12	9.27
5. All other	1,69,824	1,17,215	63,644	61,465	1,405	885	2,34,873	1,79,565	4,14,438
Districts	23.90	28.42	43.63	47.86	50.00	49.72	27.33	33.09	29.56
	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

SOURCE: Census 1971.

TABLE 7 RATNAGIRI POPULATION IN BOMBAY CITY FROM 1881-1981

<i>Year</i>	<i>Ratnagiri Population in Bombay</i>	<i>Increase in absolute number</i>	<i>Rate of increase per cent</i>
1881	1,26,190	—	—
1891	1,62,586	+ 36396	+28.84
1901	1,45,835	— 16751	—10.30
1911	2,16,660	+ 70825	+48.57
1921	2,35,566	+ 18906	+ 8.73
1931	2,51,256	+ 15690	+ 6.66
1941	NA	NA	—
1951	4,10,999	+159743	+63.58
1961	4,94,404	+ 83405	+20.29
1971	5,64,890	+ 70486	+14.26
1981*	6,28,480	+ 63590	+11.26

\*Ratnagiri born persons migrated to Greater Bombay during the decade 1971-81 is not immediately available since the migration tables are not published yet. But then this can be estimated indirectly. For 1971, given the net-migration rate and total population for Ratnagiri we can get the absolute number of individuals who left Ratnagiri. We know the Ratnagiri-born persons enumerated in Greater Bombay from the place of birth data (migration tables, 1971). The proportion of number of Ratnagiri-born individuals found in Bombay to total net-migration from Ratnagiri can be derived. We assume that this proportion for 1961-1971 remained unchanged for the decade 1971-1981 also. Mukherji and Parshuraman have estimated the net-migration for Ratnagiri for the decade 1971-1981 by the balancing equation: (Birth rate—Death rate=Natural Growth rate). Using the 1971 and 1981 population the observed growth rate—Observed Growth rate. Given the net-migration rate for Ratnagiri during 1971-1981 and the 1981 population, the absolute number of individuals who left Ratnagiri was estimated. We know the proportion of Ratnagirians who come to Bombay. Thus, the proportion of Ratnagirians to be found in Bombay multiplied by total individuals who left Ratnagiri during 1971-81 will give us the number of Ratnagirians in Bombay in 1981.

from Ratnagiri did contribute to the growth of labour force in its formative years and second, it indicates that there is a slack in the demands for Ratnagiri migrants in Bombay's industrial units which are more and more heading towards capital-intensive technology—a situation where the raw hands of the migrants find difficult to cope with. Presumably, this declining rate of Ratnagiri's migration to Bombay can be attributed to the fact that a portion of the region's migrants is moving to other districts of the State of Maharashtra. As such, the volume of Ratnagiri migrants to Bombay remains high as the sizeable portion of total out-migrants from Ratnagiri region is still being gobbled up by Bombay. In 1971, out of total migration from Ratnagiri, 83.91 per cent went to Bombay. Out of the total out-migrants from Ratnagiri district, 11 per cent were from urban areas and 89 per cent were from rural areas. This shows that rural migration still predominates. Moreover, male migration is almost

double the female migration. The male-female distribution of migration from Ratnagiri to Bombay in terms of percentage are 63.95 and 36.05 respectively (Table 8). Maharashtra's other districts' share of migration to Bombay are too less in proportion compared to Ratnagiri. Certainly many of the districts which show less migration are relatively less developed.

#### PREScriptive PERSPECTIVE

##### *Return Migration*

Though the phenomenon of migration has been considered as the function of response to livelihood opportunities, the net effect of the whole phenomenon is less positive. It is now well-established that migrants in the city are generally poor indigent groups who reside in the most neglected zones of the city and who eke out their sources of livelihood from the insecure and irregularly organised urban informal sector. At the other end of the scale, by pushing a sizeable portion of its population outside, the migrating region loses, all those men who, given the chances, can be of great help for the region. Such a situation would certainly imply all possible disruptions of the ecological balance between the rural and urban, town and country and finally city and village. Thus, the question before the regional planners is : what is the alternative? Among the various ways and means suggested, the most recent attention is on the prescription of return or migration check.

Broadly, return migration can happen in two ways. It may happen to those who usually return back to their place of origin after completing their full working lives in the place of their destinations. Secondly, return migration can take place in another case of migrants who may not have any hesitation to migrate back home provided they are given alternative opportunities for livelihood in the native region.

There is a general scarcity of knowledge about both the types of return movements in migration literature. A few attempts which have been made to study the extent of return migration are, however, restricted to the first type of return migration. Studies on return migration in Africa show that after the age of 45, the number of returning migrants becomes more than the number of migrants leaving the villages.<sup>4</sup>

In India very little is known about return migration. The first

<sup>4</sup>Simmons Allan, *et al.*, *Social Change and Internal Migration: A Review of Research Findings from Africa, Asia and Latin America*, International Development Research Centre, 1977, p. 31.



TABLE 8 PERSONS BORN IN RATNAGIRI BUT REGISTERED IN OTHER DISTRICTS OF MAHARASHTRA

Registered Districts	Place of Birth				Total		Grand Total
	Rural		Urban		Male	Female	
	Male	Female	Male	Female			
Those who are migrating to other distts. of state	3,61,105 (100.0)	2,20,345 (100.0)	51,417 (100.0)	38,530 (100.0)	1,195 (100.0)	645 (100.0)	6,73,237 (100)
1. Bombay	3,23,099 (89.48)	1,77,390 (80.51)	37,356 (72.65)	25,785 (66.92)	820 (68.62)	440 (68.22)	5,64,890 (83.91)
2. Thane	15,345 (4.25)	10,800 (4.90)	5,735 (11.15)	4,755 (12.34)	75 (6.28)	30 (4.65)	36,740 (5.46)
3. Pune	10,710 (2.97)	7,565 (3.43)	3,205 (6.23)	2,455 (6.37)	200 (16.74)	125 (19.38)	24,260 (3.60)
4. Kolhapur	3,435 (0.95)	11,750 (5.33)	1,460 (2.84)	1,710 (4.44)	20 (1.67)	10 (1.55)	18,385 (2.73)
5. Kolaba (Raigad)	3,635 (1.01)	7,030 (3.19)	1,325 (2.58)	1,610 (4.18)	55 (4.60)	38 (5.43)	100.80* 13,690 (2.03)
6. Satara	1,785	2,725	700	745	---	---	5,955 100.0* 2,750
7. Sangli	895 (0.25)	1,180 (0.54)	335 (0.65)	340 (0.88)	---	---	(0.41) (0.59)
8. Other 18 districts.	2,201 (0.61)	1,905 (0.76)	1,301 (2.54)	1,130 (2.94)	25 (2.09)	5 (0.77)	100.0* 6,567 (0.98)

**\*Percentages**

SOURCE: 1971 Census.

attempt to study such migration pattern was made by Zachariah. It was found that out-migration of former migrants from Bombay was quite heavy in case of those who completed 35 years of age. Such pattern of return migration was relatively higher among males than among females. However, the rate of reverse migration was 76 per cent for those males who came after 55 years of age. Moreover, the rates of return migration from Bombay were higher for migrants born in neighbouring states than in more distant states.<sup>5</sup> In all, almost one-third of male migrants and one-fifth of the female migrants left Bombay during the first few years of their stay.<sup>6</sup>

With regard to the factors affecting return, Zachariah points out that the age-sex characteristics of return migration are not restricted to economically inactive persons but are weighted with; (i) "visitor to the city; (ii) government servants and other workers on transfer of service; (iii) mill workers and other unskilled labourers returning after 10 to 15 years of service in the city to their villages to take up cultivation of ancestral land; (iv) retired workers going home; (v) wives and children of low income workers who decided to bring up their children in the cheaper and more congenial village homes; and (vi) those who came to the city looking for work but who failed to find suitable jobs"<sup>7</sup>. Thus both success and failure can be considered as important factors affecting the migrants' return. Migration caused by a successful return is often termed as target migration. In this case the migrants return after a certain 'target' saving has been realised and some skills have been learnt.<sup>8</sup>

As such, compared to life-time migration, the incidence of return migration is relatively lower in Indian situation. Moreover, return migration in India can be weighted with a number of factors such as success, failure, distance and age. Such pattern of return migration, however, does not help us to know the exact trend and extent of future process of return migration. A more comprehensive way to examine the extent of return would be to analyse the process of return migration within the context of the potentialities of socio-economic development of the region in which the return would take place. Data on migrants' willingness to return to Ratnagiri indicate that a good 83 per cent of the migrants' willingness to return is related to the opportunities available in the native villages. This shows that unless opportunities are created in migrants' places of origin, willingness will remain merely as a subjective melancholy and the

<sup>5</sup>K.C. Zachariah, *Migrants in Greater Bombay*, 1968, pp. 338-9.

<sup>6</sup>*Ibid.*, pp. 92-93.

<sup>7</sup>*Ibid.*, p. 339.

<sup>8</sup>John Connel, *et al.*, "Migration from Rural Areas: The Evidence from Village Studies", *Institute of Development Studies, Discussion Paper No. 3*, January 1974.

probability of return will continue to be low. The probability of return can be seen further reduced in places which completely lack even the potentialities of creating opportunities for return. (Elsewhere in the report we have mentioned that Ratnagiri-Sindhudurg region lacks opportunities but does not lack potentialities).

Creating opportunities in migrants' places of origin remains to be only possible way to create effective venues for return. But as creating the conditions for opportunities would require considerable time and cost to materialise, immediate return on permanent basis is just impossible. A preliminary rough estimation of the cost of return may be worked out on the basis of the migrants' present income, expenditure and other opportunities the migrants enjoy while living in the city. As the nature of these other opportunities available before the migrants is more of social than economic in kind, it is difficult to find out the actual cost of these intangible items. The non-occupational opportunities available to the migrants in the city includes educational facilities, health services, transport facilities and media entertainment. In the present study education, health and transport have been reported to be the most satisfactory non-occupational aspects for migrants' living in Bombay. Obviously Bombay Municipal Corporation has more wider network of educational and health services than any other cities of the state. It is a fact that given the lapses, it is essentially the urban poor who enjoy most of the city's municipal services in the areas of education and health. It is extremely difficult to work out the possible costs of these social benefits provided by an urban milieu since the expenditures incurred by government and various local bodies towards these benefits are sometimes non-specific in character.

Economic benefit in the form of earning from occupation seems to be the only tangible measure of the cost involving return movement. In fact, 60 per cent of the sample migrants in the present case found their present jobs as most satisfactory aspects relating to their living in Bombay. Thus it is the income that serves the basis for these migrants' existence in the city. The average income of a migrant's household in Bombay is around Rs. 622 p.m. (Table 9). It will be too simplistic to conclude that the cost of resettlement of a migrant's household is just Rs. 622 p.m. As noted earlier, a number of associated factors such as usual urban amenities and other urban values are also to be taken into consideration for calculating both the social as well as economic costs of return migration. But in any case the cost of return is not likely to be heavy since the cost of living in rural situations in India is relatively less than urban standard of living in terms of commodity prices and effective demands. The most scientific way to work out the probable costs of return migration would call for a coverage of a wide range of activities. Thus the costs of industrial

development in the migrating region, the capital-output ratio in those industries and many other factors relating to production such as marketing are also to be considered important.

Thus,

The Cost of Return Migration (RM)=

Migrants' income + Urban Opportunity Cost + Cost of initial erection of production units.

TABLE 9 PROBABLE COST OF RETURN

Facilities	Per Capita monthly expenditure by MCGB	Number of benefici- aries per survey household	A × B	Total column C figures	Average monthly income per survey household	Total D + E
	A	B	C	D	E	
	Rs.		Rs.			Rs.
Education	26.16	2.8	73.24	104.11	622	726.11
Medical	9.08	3.4	30.87			

An effort has been made here to work out the approximate urban opportunity costs on the basis of Bombay Municipal Corporation's monthly expenditure on education and health for the city's population. Though these facilities are open to all sections of population, it is generally the poorer sections which are mostly benefited by these services. The poorer sections of city's population mostly live in slums or chawls. Our sample migrants also form parts of them. It is this group of population who sends their children to municipal schools which largely consists of free primary schools and few aided secondary schools. The medical facilities provided by the Corporation are, of course, not wholly used up by this section of population. Nearly one-third of the medical benefits provided by Bombay Municipal Corporation is taken away by non-poor non-slum dwellers who constitute nearly 5 per cent of Bombay city's population.<sup>9</sup>

During the period 1978-79 the Bombay Municipal Corporation has spent Rs. 26.16 and Rs. 9.08 per capita per month on education and health services for the poorer sections of the city.<sup>10</sup> To work out the

<sup>9</sup>C.A.K. Yesudian, "Utilisation of Municipal Health Services: A Case Study of K.E.M. Hospital, Bombay", *unpublished project report*, Tata Institute of Social Sciences, Bombay, December 1980.

<sup>10</sup>Municipal Corporation of Greater Bombay, Year Book 1979-80.

probable cost of return, these expenditures have been added to the income. Thus the cost of return in the present case would be around Rs. 726.11 (Table 9).

It would be analytically inadequate to accept Rs. 726.11 as the exclusive cost included in return migration. This cost has been worked out purely on the basis of few empirical cases reported in the survey. Besides, it excludes the costs involved in creating the areas of opportunities in migrants' original native places. Moreover, it is to be noted that among the three components of return costs, the urban opportunity cost is largely intangible whereas the benefits from these opportunities act in most tangible manners and sometimes bring formidable impact on migrants' internalization with urban values which often indirectly retard the act of return. Migrants of the present sample have reported that they consider the cosmopolitan culture of Bombay city as one of the opportunities available in the city. These social opportunities are, however, inherent in the process of urbanization and industrialization. Once a region is industrialized, it is bound to have many of these urban values. But the process of industrialization itself takes time to achieve these values. A returnee cannot immediately acquire these aspects of urban living soon after he returns to his native village with the needed occupational support.

The foregoing observations support that the phenomenon of return migration is not so simple as it appears to be. After all, the term 'return migration' is suffixed by the term 'migration'. Hence it has, within it, all the complications of 'migration' plus the unique effects of 'return'. The overall effect of return migration upon the whole process of migration is only partially significant so as to cause temporary solution to the returnee's problem as well as to the region's betterment. Moreover, the examples of return migration may often induce a potential migrant to move with great expectations which may not always be fulfilled because of already appalling situations in the urban areas. In such cases, the unsuccessful migrant may not even think to return to his village for the fear of losing his status and thus may not have anything else but to achieve parity of strength with the ranks of urban poor—a vicious circle. These facts would logically illustrate the immediacy of the permanent need for research on migration check by studying migration within the context of rural development.

#### *Migration Check*

The phenomenon of 'migration check' is of recent origin in migration literature. It is relatively easier to talk of the causes and

consequences of migration rather than to examine the possible areas of checking migration. Because the phenomenon of 'migration check' involves such policy approaches which may often be regarded drastic by those affected by such policies. In fact, it has often been argued that any attempt to reverse the trends of migration in less developed societies is to prevent the poverty relief function of migration.<sup>11</sup> The process of migration in these societies, it is argued, reduces the burden of population pressure on the already stagnant rural life and thus saves the rural mass from near starvation. The immediate acceptance of such an argument will be to regard migration as a normal process of development in an underdeveloped society. But the way in which the whole process of migration is taking its course in many developing nations shows that far from becoming a normal process, migration movement has taken the shape of over-migration. As a result, the urban problems are becoming unmanageable and rural areas are getting depopulated. Besides, though migration can temporarily relieve the burden of rural poverty, constant drain of rural talent may result in permanent stagnation and poverty in rural areas. Moreover, large scale migration from rural to urban centres in the underdeveloped societies may adversely affect the balance of development process itself contributing further to the unevenness of social development. It is in this context that various strategies regarding migration check are being considered as significant areas of research in the field of migration. Based on the evidence for Asia, Africa and Latin America a number of scholars have attempted to identify five broad areas of strategies for checking migration in the said countries. These include :

1. Stop the flood of migrants at the source by encouraging the people to 'stay on the farm' through land reform and other mechanisms.
2. Redirect the flow of migrants to rural 'frontier' areas (colonization).
3. Redirect migrants to intermediate urban 'growth poles' (industrial estates) and 'new cities'.
4. Return the rural-urban migrants to their hometowns or otherwise discourage them from staying in the metropolis. This may be done through an 'entry permit' approach, busing programmes, or the control of ration cards and/or other privileges.

<sup>11</sup>Ashish Bose, "Rural Development, Dispersal of Industries and Population Redistribution Policies and Experiences", *The Population Debate: Dimensions and Perspectives*, Vol. 11, Papers of the World Population Conferences, Population Studies, 57, 1975, New York, U.N., p. 151.

5. Accommodate to existing patterns of rural-urban migration in an attempt to provide services and programmes that will improve the lot of migrants, especially low income migrants living in marginal metropolitan housing.<sup>12</sup>

A careful analysis of these strategies reveals that the essential theme of these strategies is based primarily on an objective to develop rural areas. Such an objective includes a series of approaches which are designed to initiate an integrated rural development programme. Strategies for 'migration check' are different from 'return migration' which is usually weighted with a number of factors such as age, sex, success and failure. Viewed from the perspective of rural development, a programme for migration check includes several action programmes towards raising the level of rural standard of life: (1) it must be adapted to the existing situation, (2) it must be realistic in terms of implementation, and (3) it must be supported by policy makers.<sup>13</sup> The aims of such programmes would usually include: (a) equal access to utilisation of goods and services and employment opportunities; (b) a higher rate of growth in agricultural production; (c) equitable income distribution; (d) decreased mobilization of rural people and their motivation to achieve participation in decision making; (e) improved consumption pattern; and (f) better conservation of natural reserves.<sup>14</sup>

There are, however, a number of limitations involved in the generic application of some of the action programmes relating to migration check in specific situations. As for instance, in the present study which is based on the rural-urban migration analysis, a strategy for reconstructing the agricultural activities alone may not yield much result. Because data from the survey of the migration-prone villages reveal that by virtue of its nature, Ratnagiri-Sindhudurg Region is not suitable for agriculture. Hence a strategy for migration check in present case may have to include a number of non-agricultural development programmes which comprise horticulture, animal husbandry and various other service and industrial activities.

<sup>12</sup>Alan Simmons, et. al., *Social Change and Internal Migration: A Review of Research Findings from Africa, Asia and Latin America*, International Development Research Centre, 1977, p. 103.

<sup>13</sup>Sidney Goldstein, "Migration and Rural Development: Research Directions on Inter-relations", *Food and Agriculture Organization, U.N.*, Economic and Social Development, Paper No. 8, 1979, p. 14.

<sup>14</sup>*Ibid.*, 1979, p. 15, See also Lunan, Murray, "A Contribution to the Study of the Inter-relationship between Population Activities and Integrated Rural Development (IRD)", *Report No. 1, Food and Agriculture Organization, U.N.*, 1976, p. 4.

SOME SUGGESTIONS FOR CONSIDERATION

The following suggestions are put forth for examination before they are considered:

1. A large number of migrants who are almost settled in Bombay have expressed their willingness to go back to their native region provided they are given opportunities. Immediate efforts may be made to attract few of these migrants by creating some opportunities which require short-term project. Though this will not be a permanent solution to the migration problem, it will have two effects: First, it will motivate the migrants to resettle in their homeland. Second, it will serve as an example of reverse migration and thus will add valuable experience to the action programme for migration check.
2. Various reports which are available with the Town Planning Department, Ratnagiri, show that the region has tremendous potentialities for development. The Regional Planning Board should see that the people in the region are aware of such potentialities. For this the Board may publish some of its reports in local dailies in regional languages to create a general awareness among the people of the region.
3. Most of the migrants from Ratnagiri-Sindhudurg region are engaged in unorganised sectors of urban economy. They are primarily unskilled labourers. The Regional Planning Board should suggest the state government to introduce various training programmes in the region.
4. In order to convert the potentiality into opportunity, efforts are to be made to extend assistance to several voluntary agencies which are working at present or to create new voluntary agencies in the region. The Board may consider the creation of a Social Planning Cell which may work as a liaison between the Board and these voluntary agencies.
5. The region is virtually devoid of any socio-economic institutions. Co-operative institutions, Small Farmer Development Agencies, Employment Guarantee Scheme are to be given top priority in the initial programme for development.
6. Lack of investment has contributed a lot to the anatomy of backwardness of the Region. Investment from money order remittances is almost nil since most of these amounts are either spent for consumption. The region receives awards for small savings. This should be encouraged within the context of investment.
7. The region lacks water supply. Major water supply schemes



should need encouragement. In this respect schemes like 'Pani Panchayat' should be critically examined and its positive aspects, if any, should be considered at least in principle.

8. Local people should be given priority in the employment of working hands required by the industries that are likely to come up.
9. Data from the present study indicate that migration from Ratnagiri-Sindhudurg to Bombay has already started showing a declining trend. But this is not due to the fact that the region has developed. In fact out-migration from the region remains high. One possible reason for the decline in migration to Bombay from Ratnagiri region can be that many of the migrants are moving to other neighbouring districts like Kolhapur, Sangli, Satara and Pune. Ratnagiri-Sindhudurg region can gain a lot from the spread effects of development of these neighbouring districts. For this the region should be linked with these districts through railways as the journey by existing motor transport is found to be very hectic and expensive. □

# *Voluntary Agencies and Urban Administration*

P.R. DUBHASHI

IN ANY system of public administration including urban administration, there are two elements—democratic and bureaucratic. The political executive constitutes the democratic element and consists of the council of ministers which in a parliamentary system is responsible to an elective assembly. In urban administration the political executive consists of members of municipal council and its committees. They are politicians and public men. The bureaucratic element consists of permanent appointed executives. They are civil servants who are professionals in their lines. While the role of political executive is to represent and articulate the felt needs of the people and to lay down the general policies for fulfilling those felt needs, the role of bureaucratic elements is to give professional assistance to the elected political executive to formulate policies and then after the policies are formed, to give effect to them efficiently through various programmes and projects.

There is, however, a third element in administration which is not often taken into account but which in a democratic context, where administration in the ultimate analysis is responsible to the people, is of great significance. This third element consists of non-governmental agencies or voluntary agencies. They have a definite role to play though it is not often very clearly identified. Their role is of particular significance in the working of urban local government institutions. Urban administration is closest to the people as it relates to day-to-day activities of the citizens. Municipalities and other urban authorities render services on which depends the satisfaction of the citizens. This applies not only to the municipal councils dealing with general civic functions but also to the specialised agencies in charge of specialised functions like supply of drinking water or electricity or transport services. A development authority in charge of laying down new extensions is another type of specialised agency. The performance of these agencies has to be assessed by the extent

to which they render the services in a satisfactory manner to the citizens. If these municipal functions are discharged fully to the satisfaction of the citizens, there may not perhaps be any scope for voluntary agencies.

But the fact remains that the services by the municipal and other affiliate authorities often leave much to be desired. There is not even regular or adequate supply of water to various parts of the city. Transport services may be erratic or over-congested. There may be frequent failure of electricity or load-shedding. There may be leakages from the drainage system. The development authorities providing sites or houses may leave many things undone causing great inconvenience to the citizens who might have paid heavy sums to buy the sites or houses. What should the citizens do in all such cases of malfunctioning of the machinery of municipal agencies or other quasi-municipal agencies? The citizen as an individual may go to the municipal or other offices and request for redressal but he is often treated with indifference and even arrogance and the citizen is at his wits end as to how to go about redressing his grievances. Sometimes inefficiency, indifference or arrogance may be compounded by corruption. Should a citizen be a helpless victim and suffer in silence?

It is here that a voluntary agency may come in to articulate effectively the grievances of the citizens and to bring to bear an organised pressure on the authority through representations and where these do not have any effect, even through demonstrations. Through organised effort of the voluntary association, the citizen can compel the authorities to look into their grievances and pursue matters till a satisfactory solution is provided.

But articulation of grievances of the citizens is not the only role of voluntary agencies. They have another role to play and that is to educate the citizens to cooperate with the municipal authorities. The voluntary associations can do a great deal to inculcate among the citizens a sense of social responsibility. No municipal or quasi-municipal agency can render effective service without the cooperation of the citizens. If the citizens keep open public taps or break the taps, water goes on flowing without being used and it is bound to cause a great deal of loss of filtered water and create shortages in other parts of the city. If the citizens throw garbage on each and every place, it may pile up and create public nuisance. If the citizens make their parks dirty with the leftovers, they will cease to be places of enjoyment. The citizens must know and get into a compulsive habit to ensure that litter is not thrown in any manner they like on the street or in public places but must be put into the dustbin. It is only when the citizens cooperate with the public authority that it would be able to provide satisfactory services to the citizens. One has

to only go to a city like Singapore to see how disciplined the public can be. There the citizens put their garbage in polythene bags which are kept at prescribed places and are collected in trucks at regular intervals. The city is, therefore, the last word in the cleanliness. Without this discipline, there cannot be any standard of hygiene in our cities. The quality of life in cities and towns of India cannot be of any high standard if the citizens do not show adequate sense of responsibility. It is clear that the voluntary agencies can play an important role by creating a sense of civic consciousness among the citizens about the need to cooperate with the municipal authorities in properly utilising the services and keeping the city clean. The voluntary agencies can hold meetings of the citizens and distribute literature and exhort the citizens to cooperate with the municipal authorities in maintaining the public services at a high level.

An area of even greater importance where voluntary agencies can play the role is what may be considered to be the depressed parts of the city. There are slums and shanties, jhuggies and jhonparies where the poorest of the poor citizens live. They live under bridges, flyovers and even in drainage pipes. These are the shelterless people. Many of them do not have any proper means of livelihood. These are often immigrants from the rural area from where they were forced out because of lack of land or other means of livelihood. In utter desperation they throng to the cities, live without shelter and try to eke out livelihood by any means possible. Most cities in India today have many slums. It is said that one-third to half of the major cities like Bombay, Calcutta, and Madras consists of slums. Slum-clearance or slum improvement is on a very large scale in a desperate situation like the one we have in many cities. The official schemes for slum clearance are grossly inadequate and there is no limit to the services which the social workers and voluntary associations can render to make living less intolerable to the residents of these slums. They would include self-help effort for cleanliness and drainage, education for children, looking after the orphans, prevention of crime, control over drinking and gambling, provision of free medical services, protection of poor citizens of the slums from the exploitation by the so-called slum landlords, promotion of self-employment and so on.

The services rendered by any municipal and other public authorities are awfully inadequate and leave a vast scope for the effort of voluntary associations. Mother Teresa has shown what selfless service can do to brighten the lives of the poorest of the poor among slum dwellers. Her example should be a source of inspiration to the voluntary workers. Her work needs to be multiplied severalfold in the service of the poorest of the poor in the urban areas.

Unfortunately, the movement for voluntary service is not very

strong. Mahatma Gandhi was a great social worker and inspired by his example many social workers came forward to serve the poor, handicapped, diseased or the people of scheduled castes or scheduled tribes suffering from disability.

Today spontaneous voluntary work has become a rarity. Many voluntary organisations simply thrive on the grant that they receive from the state. Voluntary work of such agencies is not something which comes from the depth of heart of people who feel the agony of the poor. We require a big social effort to build upon the tradition of voluntary social service not as a fashion or a status symbol, but as a social responsibility which all of us owe to the poorest, lowliest and lost in our society. Such voluntary organisations should get assistance and support not only from the different authorities like the municipalities but also from the people at large.

The work by the voluntary agencies in the states should eventually grow into a big programme of community development. The concept of community development is important. It means that a community is able to identify its problems and organise efforts to provide solutions to these problems. This approach was given a trial all over the country in the rural areas. But it has not yet been tried comprehensively in the urban areas. Only in a few cities like Hyderabad has an attempt been made to promote the urban community movement. But such a movement is very much required in all the cities of India. Life in the cities is awfully impersonal. The human touch that we find in a rural society is often not available. As a result an individual feels a sense of social alienation which gives rise to further evils such as social tension and proneness to violence. Urban community development is the right solution to diminish social alienation of individuals and promote a greater sense of cohesion amongst the urban people. In this context, I can cite the example of Saemul Undong or 'new life' movement in South Korea which was first started in the rural areas but has now been promoted even in the cities. Such urban community development movements can create a sense of citizenship amongst all the city residents. Work of voluntary associations in the cities should ultimately culminate in effective community development movement. □

# *Intra-ethnic Groups and Urban Adjustment: The Case of North-Indian In-migrants in Bombay\**

R.N. SHARMA

THE PRESENT paper is based on a sample study of in-migrants from Uttar Pradesh residing in Bombay city. The study mainly focused on two broad objectives: the role of ethnicity on migrants' socio-economic achievements, and their adjustment to the receiving culture in relation to their varying achievements. The issue related to the possibility of existence of intra-ethnic groups (or eth-class, to quote Gordon<sup>1</sup>) within a migrant community, though its members originating from the same ethnic region but experiencing diverse socio-economic achievements in the receiving culture, has been reported elsewhere.<sup>2</sup> The present paper, a logical extension of the above, examines the second objective of the above mentioned study, viz., the possibility of relative adjustment of the intra-ethnic groups in the alien culture. In order to clarify the scope of present paper, it would be appropriate to reproduce here a para from the first paper:

The existing studies on inter-migration in Indian situation...focus their attention either on a comparative analysis of adjustment behaviour of different ethnic communities in an urban setting or on a homogeneous status group originating from the same ethnic background. However, the possibility of existence of intra-ethnic differences and their affecting the adjustment behaviour of migrants, appears to be overlooked by Indian researchers in the field. In this regard, it is proposed that traditional abilities or disabilities because of one's belonging to a particular caste or religion might limit his access to the existing socio-economic

\*The paper is based on a research project, "Ethnicity, Status Groups and Urban Adjustment: A Study of North-Indian In-migrants in Bombay", conducted by the author and financed by Tata Institute of Social Sciences, Bombay.

<sup>1</sup>M.M. Gordon, *Assimilation in American Life*, Oxford University Press, New York, 1964.

<sup>2</sup>*The Indian Journal of Social Work*, July, 1982.

opportunities in the new setting. Moreover, life aspirations of individuals are more or less related to their cultural goals which differ for different strata of a society. Therefore, migrants, though they may belong to the same geographic-linguistic region, may still differ in their aspirations because of differences in socio-cultural background. Such differing aspirations might delimit their efforts in achieving new goals in an alien culture. Moreover, the receiving culture may not be an open culture providing equal opportunities to everyone irrespective of one's caste and creed. Rather, one's access to the existing opportunities in the receiving culture should be related to one's life situation—a combination of his past and present life chances. In such a case, differing life situations may result in formation of various 'status groups' within an ethnic community. Therefore, the existence of 'status groups' within a migrant community and the possibility of their differential adjustment to urban life provide an additional dimension to the studies on migrant communities.

In order to examine the validity of above propositions, a sample survey of migrant families from Uttar Pradesh residing in Bombay was conducted. It was based on a quota sample of 110 respondents belonging to four income-groups (below Rs. 300, 300-750, 750-1500 and above Rs. 1,500 per month). It was found difficult to maintain the uniformity in proportion of each income group in the sample, and the final distribution of respondents into these income groups came to be 30, 40, 26 and 14 respectively. As it was not feasible to draw a representative probability sample from among some 12 lakhs north-Indian migrants segregated into various parts of Bombay City<sup>3</sup> the present observations should be accepted within these constraints.

Our observations in the study support the first proposition that a migrant community consists of 'eth-class' and its achievements are a combination of pre-migration life situation and the existing opportunities in the receiving culture. As reported in detail in the earlier mentioned paper<sup>4</sup>, those migrants who were now well-off (in Bombay) generally came from higher castes (Brahmins and Thakurs), owned land at the native place and traditionally followed farming, money lending or shopping as the main occupation. Those who originated from Harijan castes and were traditionally landless labourers, also found lower place in Bombay's socio-economic life. They were now engaged in low paid jobs in hotels, dairies, flour mills and shops—

<sup>3</sup>Census of India, 1971.

<sup>4</sup>R.N. Sharma, "Pre-migration Life Situation and Present Achievements", *Indian Journal of Social Work*, Vol. XLIII, No. 2, July, 1982, pp. 129-138.

mainly owned by higher caste north-Indians in Bombay. This existence of intra-ethnic groups may result in variation in the adjustment to urban life. This is our second proposition, and is the focus of the present paper.

#### URBAN ADJUSTMENT

Our general observations on the issue of adjustment of north-Indian in-migrants, to Bombay life, point out towards a tendency among in-migrants, particularly from Uttar Pradesh, to consider their stay in Bombay as a transitional phase in their lives.<sup>5</sup> That is, their main concern appears not to make Bombay a permanent home but a time being arrangement in order to earn fortunes in a shortest period possible, and then to settle at their native place. This tendency has developed an attitude among them not to be critical of their quality of life in the city, till their achieved economic status satisfied them. This is supported by the fact that respondents were generally satisfied with their present housing accommodation though a majority of them lived in one-room chawl or huts. Similarly, though there were significant differences in the achieved economic statuses, even the lower-income group respondents appeared to be satisfied with their present earnings as compared to the pre-migration situation. Therefore, once succeeded in making a regular income, they appeared to adjust with the de-graded living conditions in the city. And their attitude of sooner or later returning to the native place isolated them from the main stream of city life. In this process of 'earning fortunes' or 'making a living', those who have developed positive attitude towards Bombay life are mainly those who are well-off. They are now rich businessmen or are employed in gainful occupations. Their business or occupational interests are the main factors for their settling in Bombay. In many such cases, their children are well-educated and totally indifferent to their parents' attachment to the native place. Such north-Indian families appear to be well adjusted to the city life.

Those migrants who fail in achieving the 'desired' economic status, could be divided into two categories: those, who in spite of their low earnings stick to the city in the absence of an alternative source of livelihood at the native place, and those who are pushed back to the native place after their failure to make a living in the city.

These general observations suggest a temporary citizenship kind of behaviour of Uttar Pradesh-migrants in Bombay. Such an attitude may make them more dependent on their fellow-men in the city and

<sup>5</sup>M.S. Gore, *In-migration and Neighbourhoods*, Bombay. Tata Institute of Social Sciences,



may keep their village nexus alive. With these few comments, let us look into details of the issue of migrants' adjustment to Bombay life.

#### INDEX OF ADJUSTMENT

The term 'urban adjustment' has been defined in various ways and generally signifies 'positive orientation' to city life or 'a healthy relationship' with the urban social milieu.<sup>6</sup> As the term appears to be value-laden, it becomes difficult to operationalise. However, it is expected that effective participation by a migrant in the socio-cultural life of the receiving community and his achieving a higher socio-economic status may bring him life satisfaction resulting in his adjustment to the alien culture. A failure in achieving 'desired' status may lead to mal-adjustment with the receiving culture. It may also push the migrant back to his native place.

Adjustment of a migrant could be of two kinds. First, the migrant may frequently interact with other sections of the city population, and in the process may lose his ethnic identity. This will be a case of migrant's assimilating with the alien culture. The other extreme will be where the migrant preserves his ethnic identity and depends, for his social life, on his fellowmen—members of his ethnic community. Or, as reported elsewhere<sup>7</sup>, such migrants try to 'simulate' their native culture in the alien setting. In this regard, Nair observes a two-way type participation of south-Indian migrants in the city of Poona.<sup>8</sup> For him, "it seems that the integration of immigrants into urban society is on the basis of their common economic interests in the city while maintaining their own separate identity in their social and cultural life. Therefore, insofar as the immigrants adjust to the socio-economic life in the wider urban society and socio-cultural life in their own ethnic community, we may say that immigrants are integrated into the urban society." This dual adjustment, according to Nair, was made possible by a number of ethnic religious-cultural organisations operating in Poona city. Thus, while examining the urban adjustment of migrants, Nair used two level indices: migrants' degree of participation in socio-economic institutions of the city, and their satisfaction with the ethnic social life in the city.

In the present context, Nair's indices of urban adjustment have limited relevance. It is due to two factors. First, in the case of our respondents, it was repeatedly observed that their occupational

<sup>6</sup>Gore, *op. cit.*

<sup>7</sup>K.L. Mythili, "Little Madras in Bombay", in M.S. Rao (ed.), *Urban Sociology in India*, Delhi, Orient Longmans, 1974; see also K.S. Nair, *Ethnicity and Urbanisation*, Delhi, Ajanta Publications, 1978.

<sup>8</sup>K.S. Nair, *op. cit.*

activity and their social life, both were influenced by the ethnic behaviour. For instance, many lower income group migrants who traditionally might have worked at the farms of their landlords at the native place, were now employed in hotels, dairies, flour mills, shops, etc., owned by their caste members or village-fellowmen in the city. Likewise, there were instances where the migrants helped their relatives (also in Bombay) in their occupational activity and in turn used to get wages or some share in the earnings. In these cases, the occupational ties between the employer and the employee appeared to be replica of their occupational activity at the native place. For such migrants, their economic activity—as their social life—appeared to be influenced by their ethnic relations.

Secondly, opposite to the observations of Nair, the role of ethnic cultural organisation of UP-migrants in Bombay, in influencing their social life, is quite insignificant. Though there exist a few such organisations like 'Uttar Bharatiya Sangh', 'Yadav Sangh', 'Uttar Bharatiya Jaiswal Sangh', their activities confine to a handful north-Indians in the city. Due to these limitations, we looked for some other indices of urban adjustment.

Gore while examining the adjustment behaviour of three ethnic communities in Bombay (*viz.*, South-Indians, Maharashtrians and North-Indians) uses a general index of urban adjustment based on positive or negative attitudes of in-migrants towards Bombay life.<sup>9</sup> His indicators include: relations with colleagues, relations with bosses, expectations regarding promotion in job, present economic conditions in Bombay, desire of getting a job at or near native place, and satisfaction with life in Bombay. We also used a similar index of urban adjustment relying on migrants' orientation to the city life. However, the indicators used by us were partly different than those mentioned above.<sup>10</sup> The list of question-items to measure urban adjustment of respondents is as follows:

1. Compared to your economic condition at the native place (before migration), are you better off now?
2. If your children were to make a living in Bombay, do you think they would find it difficult?
3. Are you satisfied with your present occupation?
4. Are you satisfied with your life in Bombay?
5. Would you like to settle in Bombay permanently?

Other than this attitudinal scale to measure urban adjustment,

<sup>9</sup>Gore, *op. cit.*, Ch. VII, Part I.

<sup>10</sup>The indicators were modified, for Gore's sample consisted of only the wage-employees in Bombay factories. On the contrary, our sample included migrants following all sorts of occupations—both wage employment and self-employment.

information was also sought on factors like the role of ethnic associations, participation in cultural festivals, choice of friends from amongst the ethnic members or outside the group, reasons for the preference for the present neighbourhood, preference to live with north-Indians *vis-a-vis* other ethnic groups, interaction with other caste/religious groups, relations with other communities, preference for a community to live with, perception about other ethnic communities' behaviour and the perception of chances of economic opportunities in the city *vis-a-vis* other interest-groups. A close examination of all these factors helped us to understand the urban adjustment of respondents. For want of space, it would not be possible to present all the data in tabular form. Instead, a summary view of the findings is presented here.

#### MAIN FINDINGS

A majority of respondents considered their present economic status as an improvement over the pre-migration status. However, the extent of improvement varied across the sample. Only about one-third of respondents were confident of their children's making a living in Bombay. Those who were not hopeful mainly belonged to the lower income group. Occupational choice of respondents mainly concentrated on its income aspect, and superior or inferior nature of a job did not matter. Over a half of respondents appeared to be satisfied with their present jobs. In terms of income categories, there appeared no significant relationship between one's earnings and his job satisfaction. However, those who were dissatisfied mainly belonged to the lower earning groups. In this regard, the duration of stay in Bombay appeared to influence the job satisfaction. Recent migrants were generally dissatisfied because of the low income and the irregularity of their job. Workers employed in dairies, flour mills, hotels, or engaged in hawking and vending, belonged to such a category.

Those who originated from very poor families were happy about their stay in Bombay which had brought them two meals a day. They showed tolerance to their inhuman living conditions in the city. Another category was of those migrants who were very happy about their improved economic status but were critical of their sub-standard living conditions—congested houses, inadequate civic amenities and so on. There existed one more category of migrants who, in spite of their sizeable earnings, cursed the urban way of life and dreamt of the day when they would return to their village life. They showed least adjustment to Bombay life. And finally, there was a group of well-to-do businessmen and professionals who showed higher satisfaction with the city life and considered Bombay as their permanent home.

Regarding the attitude of respondents towards their settling in Bombay permanently, only a minority (33.64 per cent) of respondents showed such a desire. Those who declined to accept Bombay as their permanent home were mainly the lower income group respondents and a few those who were averse to urban way of life. Thus, those who were satisfied with Bombay life were distributed among all the income groups, however, the dissatisfied ones mainly belonged to the low earning groups.

#### OVERALL INDEX OF ADJUSTMENT

Based on the above observations, an index of adjustment was prepared. To do this, values to five response items on the scale were assigned. For instance, in the case of improvement in economic status, those who stated 'quite improvement' or 'somewhat improvement' were given two points while those who felt 'no improvement' or 'deterioration' were given one point. Likewise, regarding the children's future in Bombay, those who considered 'no difficulty' in their getting a source of livelihood were assigned two points while the others scored only one point. This way, the scores for individual respondents were then totalled. From the total scores, median value was calculated which came to be 7.43. Those who scored above median value were considered adjusted and *vice versa*. The frequency distribution of adjusted and unadjusted respondents is shown in Table 1.

TABLE 1 FREQUENCY DISTRIBUTION BY ADJUSTMENT  
TO BOMBAY LIFE

<i>Mode of Adjustment</i>	<i>Frequency</i>	
Adjusted	44	(42.25)
Unadjusted	60	(57.75)
TOTAL (N) =	104*	(100.00)

\*In the sample size of 110, six respondents did not reply to one question or the other, and therefore, they are excluded here.

The index of adjustment shows that only 42 per cent respondents were adjusted to Bombay life. The remaining migrants showed dissatisfaction with the city life. When the mode of adjustment was examined in relation to the duration of stay in Bombay, it was observed (Table 2) that an increase in the duration of stay added to the frequency of the adjusted respondents.

Thus, more than half of the respondents who showed adjustment to Bombay life, have been staying in the city for more than ten years.

On the contrary, a majority of unadjusted respondents were relatively the recent migrants with less than five years of stay in Bombay.

TABLE 2 MODE OF ADJUSTMENT BY DURATION OF STAY IN BOMBAY

<i>Duration of Stay</i>	<i>Adjusted</i>	<i>Unadjusted</i>
Below 5 years	8 (18.18)	35 (58.33)
5-10 years	13 (29.55)	16 (26.67)
Above 10 years	23 (52.27)	9 (15.00)
TOTAL (N= 104)	44 (100.00)	60 (100.00)

Mode of adjustment was also examined in relation to the lone migration or family migration. It was observed (Table 3) that the lone migrants were more unadjusted than those who had their families in Bombay.

TABLE 3 MODE OF ADJUSTMENT BY LONE MIGRATION OR WITH FAMILY

<i>Migration Status</i>	<i>Adjusted</i>	<i>Unadjusted</i>
Family at native place	12 (27.27)	29 (48.33)
Family at both the places	11 (25.00)	23 (38.33)
Family in Bombay	21 (47.73)	8 (13.33)
TOTAL	44 (100.00)	60 (100.00)

Opposite to this, those adjusted were the migrants who lived in Bombay along with their families. Thus there is evidence to show that those migrants who maintained close bonds with their native place, had not developed a positive attitude towards Bombay life.

#### ECONOMIC STATUS AND ADJUSTMENT

As stated in the beginning of this paper, it was proposed that migrants' adjustment to urban life should be influenced by their economic status achieved in the receiving culture. The related information shows (Table 4) that, by and large, upper income group migrants were adjusted to Bombay life.

TABLE 4 MODE OF ADJUSTMENT BY INCOME GROUP

<i>Income group (Rs.)</i>	<i>Adjusted</i>	<i>Unadjusted</i>	<i>Total</i>
Below 300	7 (15.91)	19 (31.67)	26 (25.00)
300 to 750	9 (20.45)	29 (48.33)	38 (36.54)
750-1500	18 (40.91)	8 (13.33)	26 (25.00)
Above 1500	10 (22.73)	4 (6.67)	14 (13.46)
TOTAL	44 (100.00)	60 (100.00)	104 (100.00)

On the contrary, the lower income-group respondents mainly showed dissatisfaction with the city life. Those a few low income group migrants who showed satisfaction with the city life, were mainly those poor migrants who found their present economic status as an improvement over their starving situation at the native place. Those a few higher income group respondents who showed dissatisfaction with the Bombay life, were mainly those who disliked urban way of life and desired to return to their village life.

The relationship between the modes of adjustment and the correlates of income was examined by computing the linear correlation between the two. Thus, those who earned above Rs. 1500 a month were attributed 4 scores and the lowest income group was given one point. The middle income groups scored 3 or 2 points. Then the linear correlation between the income scores and the adjustment scores was calculated. The value came to be 0.32 (significant at 0.01 level of significance) which showed a positive relationship between the adjustment and income scores. Therefore, at least for the sample respondents, it could be said that their adjustment to Bombay life was related to their post-migration economic achievements. That is, well-to-do north-Indians were more adjusted to Bombay life than the poor ones.

#### GENERAL OBSERVATIONS ON SOCIAL LIFE

There was hardly any evidence of mass-based ethnic organisations of north-Indian migrants serving the interest of this community. Even then, ethnicity as such played an important role in the socio-cultural life of migrants. Major festivals like Holi, Diwali and Rakshabandhan were celebrated by all groups of migrants. Though the choice of friends was not restricted to the own community members, lower income group migrants preferred to choose friends from amongst migrants of Uttar Pradesh. Also, they liked more to live in localities dominated by their community men. Opposite to this, well educated and rich north-Indians disliked to live in localities dominated by poor north-Indians. They also appeared moderate to practice traditional caste or religious discriminations. These observations indicate the possibility of well-to-do class of north-Indians coming out of its ethnic cleavage and participate in the open culture. Contrary to this, poor migrants, both for their economic participation and socio-cultural life, still look forward to their 'fellowmen'.

Based on the general information on the interaction of north-Indians with other ethnic communities (in Bombay), it was found that poor migrants considered Maharashtrians more near to them as compared to the South-Indians or Gujaratis. On the contrary,

Gujaratis, mainly a business group in the city, were the choice group of well-to-do UP migrants. Nearness of their neighbourhood and the fear of Shivsena could be the reasons for rich migrants preferring Gujaratis over Maharashtrians. South-Indian was the least liked group both by the rich and the poor north-Indians. Language barriers and wide cultural gap, could be the possible factors for such a social distance. Interestingly enough, when respondents were asked as to which ethnic group in Bombay proved to be their main rival in sharing the existing opportunities in the city, the poor north-Indians found Maharashtrians as their main competitors. Well-to-do north-Indians did not specify a particular group as their competitor.

### CONCLUSION

Our observations though restricted to the sample because of its limited representativeness, present a mixed profile of economic achievements and adjustment of in-migrants from Uttar Pradesh living in Bombay.<sup>11</sup> There is one section of the rural migrants in Bombay which is relatively educated and originates from upper caste and land owning families of eastern districts of Uttar Pradesh. Growing size of family and contracting resources at native place put them to seek job mobility. Their preference for Bombay city is mainly influenced by their kins or villagers already living in Bombay. Such migrants, through their better skills, financial support and resource mobilisation (by their fellowmen in Bombay) enjoy better life opportunities in the city. They have succeeded in making good money and enjoy a respectable social status among other north-Indians in the city. They are now well-settled in the city. Their children attend elite schools and help their parents in the business. A majority of such in-migrants from UP have developed a positive attitude to Bombay life. They move in the wider horizon of Bombay life for their economic and social activities. Such successful north-Indians in Bombay, however, form a small fraction of the total migrant population from Uttar Pradesh.

A large proportion of north-Indian migrants in the city present altogether a different picture. They mainly consist of those agricultural labourers, artisans and village servants who rush to the city in search of a source of livelihood. They belong to extremely poor village families—mostly from eastern districts of Uttar Pradesh—whose state of starvation pushes them out of the village. Other than the push factor, their contacts, with friends, relatives

<sup>11</sup>A few observations on economic achievements are reported here from the earlier mentioned paper of the author, *op. cit.*, 1982.

or villagers who are already living in Bombay, equally influence their decision to travel hundred of miles across the hinterland in search of a source of livelihood. For a majority of such migrants, their occupational activity in Bombay turns out to be a replica of their village situation. There in the villages they had to work hard on the farms of their landlords, here in Bombay, in the flour mills, hotels, and dairies owned by north-Indians. Of course, they earn more in Bombay but for that they have to live in miserably sub-standard conditions. One finds them living in a group of ten to fifteen males in a hut or chawl-room, or standing in queues in front of public latrines or waterposts, or even begging on the roads. They consider their stay in Bombay as a transitional phase. Though living in Bombay, they dream of the day when they will return to the native place, erect a pucca house, purchase a few acres of land and settle there permanently. Whether they succeed in this or not, their emotional attachment to the native place does not allow them to develop a positive attitude to the Bombay life. □



## *Juveniles in Slums: A Study of Six Slums in Bombay\**

G. PANDEY

**B**OMBAY IS a city of contrasts where affluence and poverty stay side by side. Though Delhi is the capital of India, it is Bombay which pulls country's industrial and commercial strings. With an investment of \$ 10,000 million, turnover of about the same amount, and \$ 50,000 million of trade, no wonder the city produces the country's 70 per cent of engineering goods and dyestuff, 60 per cent of its yarn, 45 per cent of its chemicals and 30 per cent of its cloth, just to name a few. One third of the country's export trade is done from Bombay. It is but natural then, the city pays one-third of the total income-tax collected by the central government and \$ 2000 million by way of state and central taxes. By all account the city is rich but to keep this city rich, to be on top of industrial and commercial map of India, more than 50 per cent of its population lives in slums covering a mere 16.66 per cent of the total residential space of the city, *i.e.*, about 12,000 hectares. Even the roads of the city occupy more space than the slums—25 per cent of the land area. In short, the disparity between the rich and the poor in the city could be summed up by stating that about 60,000 cars and taxis which ply on the city's roads occupy proportionately more space than the 250 thousand pavement dwellers. Comparison of city's density of population is generally made by the protagonists of the city with the country's density of population mainly to show how appallingly the city has become congested. It is not the city which is more congested but some of its pockets. Bombay's density is 80 times more than the country's with 17,676 persons per sq. km. whereas one of the slums of the city, Dharavi, with 1,87,500 persons per sq. km., is about 850 times more than the country's density of population. Exclude the slum population

\*This paper was originally submitted at an International Symposium on Street Youth, sponsored by the Covenant House and Ups Foundation in New York, December 5-7, 1983.

and the area occupied by them in the city from the calculation and workout the density and the picture would be different.

It is true that the city's population has acquired alarming proportion, 8.2 million in 1981, and migration has a significant contribution to make to this. More than merely increasing the numerical value of the city's population, migration has been contributing to the city's population at working age group level. It has also introduced certain qualitative changes in the population. For every one birth in the city, one more person is added to the population by way of migration. It is estimated that about 350 persons come daily to the city with intention to stay. Whereas, addition from within is urban, the addition from without is in the ratio of 8:5 urban and rural respectively. One can safely assume that most of the rural migrant population and a considerable proportion of urban migrant population goes and lives in slums. Thus slums have both rural and urban character and it will not be wrong to say that most of the slums are like several thousand villages being planted in the city at several places. Just because people stay in an area known as city they do not become urban. Most of the population of the city remains, even after years of residence, mainly rural in character. Whether this aspect is beneficial or not is discussed in the latter part of the paper. Moreover, though the slums are widespread in Bombay, its main concentration is in suburbs and extended suburbs of the city comprising 10 of the 19 wards. About half of the city's wards contain 80 per cent of slum pockets, about the same per cent of huts and slum population (see Table 1). One should also not lose the sight of the fact that migration is the product of both pull and push factors. Whereas industrial and commercial character of the city serves as a pull factor, it is considered that: (a) progressive mechanisation of agriculture, (b) small and declining size of agricultural land, and (c) growing rural population are contributory push factors behind migration from rural areas to the city. This results in the situation of unemployment over and above living in sub-human conditions. The city has, according to one estimate, 200 thousand beggars, 500 thousand unemployed and about the same number underemployed. The official statistics of unemployed is less than half of it but then it actually pertains to those whose names are on the live register of employment exchanges and which thus excludes those unemployed who had not registered themselves with employment exchange and might include those who had jobs at the time of registration or might have got jobs subsequent to registration. (see Table 2).

What type of life do juveniles lead and what future holds for them in the city which is plagued by population explosion, lack of housing, lack of sanitation, chronic spread of diseases, unemployment, etc.

TABLE 1 WARDWISE NUMBER OF SLUMS, HUTMENTS AND POPULATION LIVING IN THE MAIN CITY AND SUBURBS OF BOMBAY

Ward	No. of Slums	No. of Hutments	Population	Houseless* population	Ward	No. of slums	No. of Hutments	Population	Houseless* population
A	10	3087	22435	6570	H/West	193	13184	65940	2360
B	—	—	—	5409	H/East	120	64593	322965	
C	—	—	—	7644	K/East	230	61078	305390	1740
D	11	4934	24670	6224	K/West	80	21638	108190	
E	36	3610	17050	9904	L	133	58948	295340	696
F/South	67	18994	94970	5677	M	199	56036	280180	1265
F/North	58	21324	106600		N	143	48704	284980	2432
G/South	85	19524	97620	4006	P	159	43210	216050	2172
G/North	114	38037	190185		R	156	55677	178385	1801
Total	381	109510	553530	45434	T	197	64342	321110	1269
City	(19.14)	(18.98)	(18.88)	(76.79)					
				Total suburbs		1610	467410	2378530	13735
				and extended suburbs		(80.86)	(81.02)	(81.12)	(23.21)
				The Greater Bombay		1991	576920	2932060	59169
						(100.00)	(100.00)	(100.00)	(100.00)

SOURCE: According to the Survey of slum population carried out by the Municipal Corporation of Greater Bombay in 1976.  
 \*According to 1971 census.

TABLE 2 UNEMPLOYMENT\* IN INDIA, MAHARASHTRA AND BOMBAY

Year	India	Maharashtra	Bombay Total	Bombay skilled	Bombay unskilled
1970	5099910	328313	79304	32226	47078
1971	6896238	429578	93590	45893	47397
1972	7217649	597650	144547	67740	76807
1973	7284297	697749	158261	76321	81940
1974	8005156	706351	151639	79855	71784
1975	8391290	766481	175623	86452	89171
1976	9784000	—	193234	95481	97753
1977	10924000	—	223677	102433	121244
1978	12149000	959081	238207	112835	125372
1979	—	—	262054	127203	134851

\*The figures given here actually pertain to those whose names are on the live register of employment exchanges and which thus exclude those unemployed who had not registered themselves with employment exchange and might include those who might be having job at the time of registration or might have got job subsequent to registration. It is estimated that unemployment is more severe than what the numbers indicate.

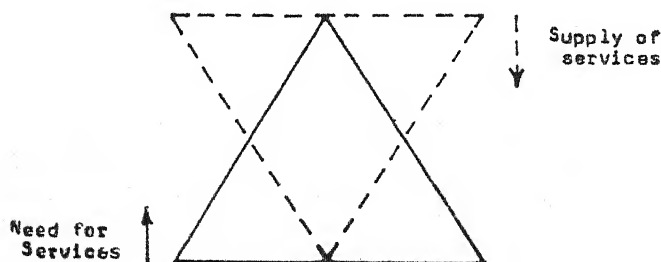
One is tempted to quote Keats to describe aptly the situation of juveniles in the city of Bombay, "Where youth grows pale, spectre thin and dies." The poet's sentiments apart, it is better to see what empirical data has to indicate on the status of juveniles in the slums. But before that is done a few observations on what ails juveniles in India at macro level will be in order.

A UNICEF report on the status of children in India presents a very dismal picture. The tragic and most pathetic scenario reads thus:

Ninety per cent of the 250 million children in India suffer from malnutrition. Sixty million of them are deprived of all the basic necessities. One lakh below-five children die of malnutrition every month. The total number of Indian children dying every year is 3.2 million. This is over 40 per cent of the total annual deaths of Indians. About 25 lakh children face blindness due to severe vitamin A deficiency. Nearly 2 lakh children are beggars or vagrants. Over 30 million children suffer from some sort of handicap. About 30 million children have to work. One hundred and sixty three million children between 0-14 years in rural India are not having access to safe-drinking water. One hundred and eighteen million children are living below poverty line.

What different picture could one expect for children in a country where about 60 per cent of its population lives below poverty line, earning less than \$ 3.5 per month. Adverse conditions from which

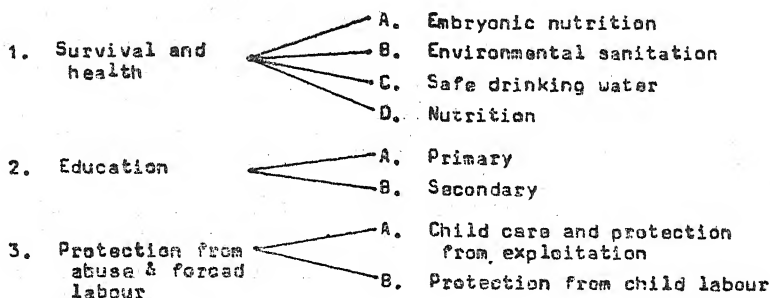
children suffer start for most of them at embryonic stage itself. About 70 per cent of pregnant women in India are found anaemic. Those who survive go on to contribute more to the number of illiterates. By the year 2000, whereas we claim to register hundred per cent enrolment, 54.8 per cent of the world's illiterate in the 15-19 age group will be in India. A working paper prepared by the Union Education Ministry points out that 40 to 60 per cent children drop out from the school before they reach standard V. The most striking observation made in the paper relates to the negative contribution made by the educational facilities so far. It has, according to the paper, widened the gap between the privileged and under-privileged sections of the society. In fact, two of the most important and vital services—health and education—are offered diametrically opposite to the needs, as depicted by the diagram below. This glaring gap is more pronounced in the field of health which is not only urban-oriented but disease-and-hospital oriented.



About three-fourths of the health budget is spent in the cities on curative purposes. Unfortunately, even in the urban areas the distribution of services assumes the same model. Those in the slums are far from receiving the facilities which are otherwise made available to the urban population. According to the Registrar General's report of 1980, as against 55 per cent children in rural areas, 45 per cent children in urban areas fall below the subsistence level. The situation of these 45 per cent is no better than their counterparts in rural areas. On the contrary, they are trifle more unfortunate because it is assumed that they are beneficiaries as the services are more available in the urban areas.

Problems related to children can be broadly classified into: (1) survival and health, (2) education, and (3) protection from abuse and forced labour which are shown below along with its sub-classifi-

cations.



If these three main stages are achieved then only can one claim that the process of child development is complete. In order to achieve this, measures of both direct and indirect nature have to be taken. Similarly, this calls for assessing not only the status of children but also the situation surrounding them. After all one cannot achieve development of children without substantially changing the situation affecting them. The immediate situational factors affecting the children are: (a) living conditions; (b) employment of those on whom children are dependent; (c) health condition of those on whom children are dependent, especially mothers, and (d) education.

Keeping these factors in mind and realising that data aggregated at urban or city level offers a blurred view of actual situation prevailing in many slum areas, an attempt is made through this paper to study the situation in which children live and the problems they face in the slums of Bombay city. The paper is based on case studies of six slums in Bombay carried out by six social workers, five of them professionally trained, on the basis of the design provided by the author. Out of the six slums studied one is from the main city, two are in western suburb of the city and three fall in the eastern suburb of the city. Case study writers—Messrs. Aizaz Baig, Jockin A., Khalil Ahmed, Surya Rao, Udayan Burma, and Miss Leena Joshi—have been working in the slum which they have studied. Their report is based on the first hand experience. In fact one case study writer stays in the slum and runs a welfare agency. The reason behind choosing to study the problem by case study method is that the questionnaire method or the interview method in studying slums tends to offer over exaggerated picture on certain aspects and under-projected picture on the other. This is because an interviewer who is a stranger to slum-dwellers is not in a position to get a realistic picture of their living. It is felt that social workers who are professionally trained and working in slums for some time would be in a position to throw light on the life and living conditions in

slums not only objectively but authoritatively. Going through the case studies the writer is satisfied to note that his expectation is fully met by the case study writers. As mentioned, the case study writers were provided with a common design to guide their writing of case study. The design contained XVI main parts and 122 subparts. Hence the case studies are detailed and indepth analysis of situation in slums but as this paper is restricted to situation of juveniles in slums, information collected on aspects like: (1) health, (2) education, (3) occupation, (4) welfare facilities, (5) social problems, and (6) profiles pertaining to juveniles in the design are content analysed. For the sake of brevity and for maintaining the anonymity of slums studied, slums hereafter will be referred by the initials of case study writers (AB—Aizaz Baig, J—Jockin, KA—Khalil Ahmed, LJ—Leena Joshi, SR—Surya Rao and UB—Udayan Burma).

### HEALTH

Most common health problems of children mentioned are malnutrition, skin disorders (scabies) tuberculosis, diarrhoea, jaundice, and worms. Some other problems related to eye and dental are also mentioned. Leprosy cases are also mentioned among children (see Table 3). Among the causes, lack of sanitation, poverty conditions and general neglect on the part of parents are mentioned. Lack of knowledge or awareness on the part of parents about preventive measures is also stated. (see Table 4). AB study points out that health problems among children are more due to negligence and can be overcome by taking a few measures. Whereas there is a need for providing better sanitary conditions, immunisation and nutrition on the one hand, on the other hand there is a need to

TABLE 3 HEALTH PROBLEMS OF CHILDREN IN SLUMS

Problems	Slums				
	AB	J	KA	LJ	SR
Malnutrition	✓	✓	✓	✓	✓
Skin disorders (Scabies)	✓	✓	✓	✓	—
Tuberculosis	—	✓	✓	—	✓
Diarrhoea	—	✓	✓	✓	✓
Jaundice	✓	—	—	—	✓
Worms	✓	—	—	✓	✓
Eye disorder	✓	—	—	—	✓
Dental problem	✓	—	✓	—	—
Leprosy	—	—	—	—	✓

TABLE 4 CAUSES OF HEALTH PROBLEMS OF CHILDREN IN SLUMS

<i>Causes</i>	<i>Slums (responses in per cent)</i>				
	<i>AB</i>	<i>J</i>	<i>KA</i>	<i>LJ</i>	<i>SR</i>
Lack of sanitation	10	10	40	—	20
Housing Conditions	20	20	—	—	20
Poverty	30	20	—	—	20
General neglect of children	15	30	—	—	10
Working conditions	—	—	—	—	20
Lack of knowledge on the part of parents about preventive measures	—	—	—	✓	—
				(Not stated in per cent)	

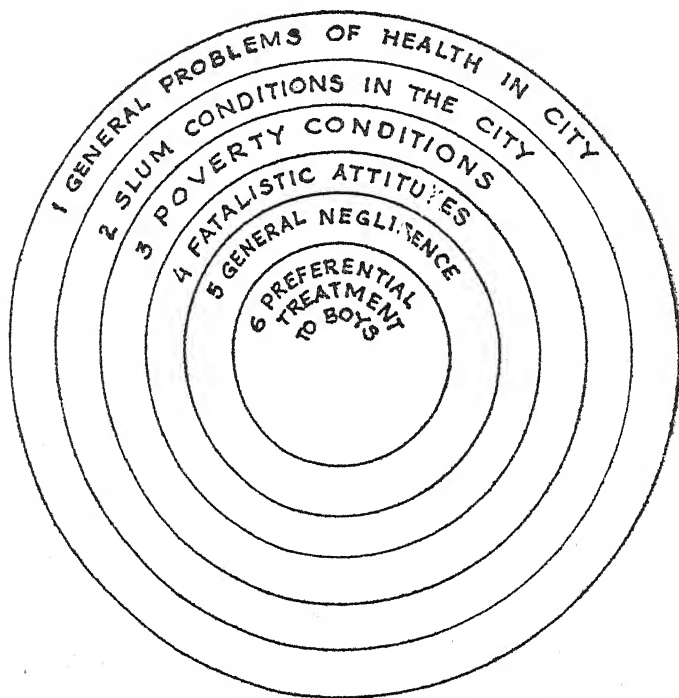
create health awareness among slum dwellers, remove their misconceptions about diseases, change their fatalistic attitudes and develop their faith in medical treatment. J feels that though some of the problems of health could be overcome by introducing health awareness, complete solution to it lies in improving slums itself. Moreover, involvement of slum-dwellers in certain illegitimate occupation like clandestine manufacture of liquor also contributes to health problems of children as some of them are involved in such work. There is also discrimination made among children. Girls' health problems are more neglected. SR reports a case of a child dying due to simple worms mainly due to negligence on the part of parents. Sixty per cent of UB's slum below 2 years have no protection against diseases like polio, T.B., cholera. Immunisation still remains a frightening concept for many mothers. Problems of health have to be tackled at many levels and welfare agencies apart from providing health services should undertake health counselling functions and training of the educated among the slum dwellers in health care and para-medical functions. Moreover, agencies have particularly important role to perform in changing the attitudes of people towards health in slums (4 to 6 spiral in the diagram on next page).

#### EDUCATION

Unlike health where one notices all slums studied at the same level, educational status of slums varies a great deal. Though over the years there is an improvement in the educational status of slum-dwellers, this change has mostly been seen among the males. This change among the males also varies a great deal, from 60 per cent in J slum to as high as 90 per cent in UB slum. One of the reasons for such variation is the type of migrants. Migrants from urban areas to Bombay are found literate compared to rural migrants. Increase in the per cent of literate males should also not give



DIAGRAM



an impression that the educational status of people in slums has really improved. On the contrary, partly it is indicative of worsening housing situation in the city which is forcing many persons engaged in white-collar jobs to go and live in slums. J makes an important observation about the effect of education on slum dwellers when he says, "it neither made them aware of their duties nor rights, nor changed their economic and social conditions in any substantial way." KA corroborates it by saying that the improvement and the status of education is more quantitative than qualitative. Female literacy has not improved much. Among certain religious communities, especially muslims, not only there is more illiteracy among females but even female children are also not encouraged to go to schools. In KA's slum illiteracy among females is as high as 80 per cent. Education of females in slums can serve as a panacea to many ills in slums and even the well-being of children and their education depends greatly upon the education of females. After health, agencies should concentrate on education, especially female education.

Even in the case of children the situation is not uniform. Whereas KA and UB report 100 per cent and 95 per cent literacy among

children respectively, J laments that even literacy among children in his slum is a mere 50 per cent. Enrolment of children in schools is dependent on a variety of factors which can be broadly classified into religious, social, and economic. Non-availability of schools which can impart education in the language spoken in the community is also responsible for children not being sent to schools. Among the Tamil speaking slum dwellers non-availability of Tamil-medium schools is causing this problem. When asked who are mainly responsible behind children not going to school, SR holds parents responsible, AB and J think the school system to be faulty, while KA considers both parents and the school system equally responsible (see Table 5). Municipal schools are generally overcrowded. J says that in his slum school system can cater to the needs of 8,000 children against the demand of 16,000 children. UB elaborates on this :

The standard of education in municipal schools leaves much to be desired. The teachers show very little interest towards their profession which results in increasing lack of interest in pursuing education on the part of students. The teacher-student ratio is also too uneven to enable the former to give personal guidance to individual students. At the same time most of the parents are not in a position to guide their children. Moreover, the salary the teachers get serve as no incentive for them to go out of their way to make education a pleasant experience for the students.

TABLE 5 REASONS BEHIND CHILDREN NOT GOING TO SCHOOL

<i>Children don't go to school</i>	<i>Slums (Response in per cent)</i>			
	<i>AB</i>	<i>J</i>	<i>KA</i>	<i>SR</i>
1. Parents responsible	20	20	30	50
2. The School system responsible	40	50	30	40
3. Children responsible	10	30	20	10
4. Other reasons	30	—	20	—

The dropout rate of children from school is also differently reported. AB and KA report less dropout against J and SR (see Table 6). One of the reasons for high dropout rate at secondary schools is the non-availability of secondary schools in the vicinity. And this problem is aggravated further if the medium of instruction in the secondary school is different from the one spoken by the community. In the case of muslims, they prefer schools run by their community which are available mainly in the city and children, especially girls, cannot be sent that far. The same is the case with slum dwellers in need of Tamil schools for their children. By Constitution, we have made education compulsory upto the age of 14. It is an irony that education

is made compulsory upto a certain age and not upto a certain standard. Assuming that if a child is admitted to the school at the age of six in the first standard, by the age of 14 the child will be in the eighth standard. If education, is made compulsory upto the eighth standard then it is government's responsibility to provide facilities for education upto that standard. Moreover, as in the case of other facilities, even the facility of education is not extended keeping in view slums as units. Still for all practical purposes, it is the ward which is treated as a unit for determining what facilities are to be provided.

TABLE 6 DROPOUT RATE OF CHILDREN FROM SCHOOLS

<i>Dropout</i>	<i>Slums (Response in per cent)</i>			
	<i>AB</i>	<i>J</i>	<i>KA</i>	<i>SR</i>
1. Before Primary	5	30	5	10
2. Before Secondary	10	40	10	30
3. Before Matric	15	30	5	60

Even the problems associated with education of children differ from boys to girls. In the case of boys, apart from the expectation of their supporting family financially once they attain the age of 14, there are factors like the lack of parental control, absence of congenial atmosphere at school, harassment by teachers, adjustment with peer-group which determine continuance or withdrawal from the education system. In the case of girls it is largely considered useless for girls to study as they are supposed to get married and be housewives. Girls are also expected to look after the young ones in the family, especially if their mothers go on work. They are also supposed to assist mothers in house-work or work as domestic servants to supplement the income of the family. Moreover, if the breadwinner of the family loses job, the immediate impact of that is withdrawal of girl from school. Though slum dwellers, irrespective of their financial and educational status, are increasingly realizing the importance of education for their children, it is mainly exhibited in their actions in the case of education of male children. Slum dwellers are still largely indifferent to the education of female children. The disparity in their outlook is so much that whereas on the one hand, in some slums parents want their male children to study through English medium and for that they are spending on private tuitions, they are not prepared to send female children even to vernacular schools. Again it is a question of changing their attitudes and unfortunately even the voluntary effort of agencies in this sphere is woefully lacking.

### OCCUPATION

About children of school going age doing jobs, SR, AB, and UB state that child labour in their slums is almost nil. LJ points out that most children study and work also. This is because they are mostly engaged in embroidery work which is a family business and done at home. Children do this work in spare time after coming from schools. Boys do it till they reach adulthood and find employment outside. Only J mentions that child labour in his slum is in the region of 20 per cent. Since in that slum 50 per cent children don't go to school, there are 30 per cent children who neither study nor work.

When asked who among the children, boys or girls, are more engaged in occupation, in four slums it is the girls (KA, SR, LJ, UB) and in two it is the boys (AB and J) but there is complete unanimity on who engages in illegitimate professions—it is boys. The illegitimate occupations in which they are generally engaged are black marketing of cinema tickets, distribution of illicit liquor and pick-pocketing, the first two ironically are not considered by most slum dwellers as illegitimate. In most cases children are found engaged in the same illegitimate occupations in which elders from the slums are engaged. If slum is clear, as UB reports his slum to be, there are less chances of children taking to illegitimate occupations. How children move to illegitimate occupations is shown by J:

The schools could accommodate only 20 per cent of the children and due to poor quality of teachers, place, lack of books, parental negligence the school atmosphere was also not very conducive to children's continuance in schools. It led to further dropping out of children from schools. In course of time these children took to gambling and roaming about. It did not take them much time to take to pick-pocketing, and since they were bribing police officials, they never considered the occupation as illegitimate. Even elders in their family did not raise any objection to their activities. Rather they accepted the money brought through illegitimate activity. This has encouraged them to take to higher forms of illegitimate activities. Soon most of them became helpers to big smugglers or bootleggers. Thus not only they engaged themselves in illegitimate activities but shifted, in course of time from unorganised petty crime to organised serious crime.

There is a long list of legitimate occupations in which children are engaged most of which are not in organised sector and hence out of the purview of labour laws. The exploitation of children in these occupations is by way of long hours of work, low wages, hazardous jobs and above all some of these occupations are of a marginal nature.

They serve as a slippery path for children to slide into the world of deviance. The last occupation mentioned in Table 7, metal hunting, relates to searching of precious metal like gold and silver out of the city's garbage dumped near the slum. The job is not only hazardous but highly harmful to the health of children. More than the exploitation, children's doing job in early age exposes their tender minds to adults and coming into contact with adults especially in occupations of marginal nature also leads to children's deviance.

TABLE 7 OCCUPATIONS CHILDREN ARE ENGAGED IN

Occupation	Slums				
	AB	J	KA	LJ	SR
1. Apprentice to wiremen	✓	—	✓	—	—
2. Helpers in gardening	—	—	✓	—	✓
3. Hotel workers	✓	✓	—	—	✓
4. Vegetable sellers	✓	—	—	—	—
5. Pan shop	✓	—	—	—	—
6. Porters	✓	—	—	—	—
7. Domestic servants	✓	—	—	—	—
8. Motor garage	✓	—	—	—	—
9. Shoe shine	✓	—	—	—	—
10. Small scale industries	—	✓	—	—	—
11. Embroidery	—	✓	—	✓	—
12. Plastic bag making	—	✓	—	—	—
13. Toymaking	—	✓	—	—	—
14. Metal hunting	—	—	—	✓	—

Education and health of children depend to a great extent on employment of those on whom they are dependent. In the event of unemployment, its effect on children seems to be different in different slums. According to UB and LJ it has very little effect on children, unless the whole family suffers from it. AB and J think that children get neglected at such times and their needs are not considered. KA and SR agree that it affects children's nourishment and even education. SR goes further to add that it influences family members, which include women and children, to take to illegitimate occupations. It has also been found that when the breadwinner in the family is laid off the job due to strike or lockout he refrains from taking to illegitimate occupation lest on account of it he might lose his legitimate job but to tideover the running of house he induces womenfolk and children to do illegitimate jobs. In some cases, women and children are sent back to villages. This not only disrupts the education but changes the environment for children and separates children

from their fathers. UB though admits that unemployment leads to strained family relations and social behaviour, it has very little effect on children. This, according to him, "is mainly because in some families there are more than one breadwinner. In other cases where this condition does not exist the family has to resort to borrowing in order to keep the homefire burning. In some cases their in-laws help them to tideover the rough period". Just the opposite is the observation of AB:

The impact of unemployment is many-sided. A person who is unemployed is depressed and in most cases resorts to drinking. The family conflict starts due to poor economic conditions and indebtedness. The children will be neglected and often school-going children are made to dropout and contribute to the family economically. Hence, unemployment leads to disorganisation of family.

It is important for agencies to pay attention to this aspect because many a times good work done by them in the field of health and education is done away with by the main earners of the family being laid off the jobs. Most of the slum dwellers are engaged in jobs in unorganised sector or as contract labour in organised sector and hence are prone to seasonal unemployment. Though the agencies cannot directly do anything about employment, they can at least prepare people how to cope up with unemployment. Vocational guidance and training could also prepare people rendered jobless to take to some other legitimate occupation.

#### WELFARE FACILITIES

One question from welfare facilities section taken for discussion here relates to who are generally the beneficiaries of welfare facilities provided in slums. Again children as target group of welfare facilities receive different emphasis in different slums. Whereas J reports children as the maximum beneficiaries, others think that they get equal, if not less, share of benefits extended to slums (see Table 8).

TABLE 8 BENEFICIARIES OF WELFARE FACILITIES IN SLUMS

Slums	(Per cent)		
	Children	Children throu-Women	Youth
KA	40	40	(Not stated)
SR	40	10	25
AB	50	(Not stated)	(Not stated)
J	70	"	"
LJ	50	2	50

Since most of the welfare facilities provided in slums happen to be related to health and education it is children who become its prime beneficiaries. Still, according to AB, the slum dwellers have a very negative attitude about welfare facilities. They feel that the facilities are useless, poor in quality and very less compared to the needs. The providers of facility are generally regarded as corrupt, who are not interested in the cause of uplifting the poor. Slum dwellers do have respect for certain agencies who involve them in their programmes and activities.

### SOCIAL PROBLEMS

There are three questions pertaining to children on social problems taken for discussion here. The first relates to per cent of juvenile delinquents in slums. Only LJ reports high per cent of juvenile delinquency, about 10 per cent. The rest offer this rate between 3 to 5 per cent. Those who are delinquents among juveniles are reported to be engaged chiefly in pickpocketing, black-marketing of cinema tickets and thefts, among other crimes (see Table 9). Most of the crimes mentioned, except the last one, are organised crimes and juveniles' participation in it is not merely induced but forced. Once they are in it they are part of the organised gang and it is difficult to get out.

TABLE 9 TYPES OF CRIME JUVENILES ARE GENERALLY ENGAGED

<i>Type of Crime</i>	<i>Slums</i>				
	<i>AB</i>	<i>J</i>	<i>KA</i>	<i>LJ</i>	<i>SR</i>
Theft	—	✓	✓	—	✓ (from one's own house)
Pickpocketing	—	✓	✓	—	✓
Black marketing of cinema tickets	✓	✓	—	✓	✓
Selling of illicit liquor	✓	—	—	—	✓
Gambling	—	—	—	✓	✓
Homosexuality	—	—	—	—	✓

To a question as to what conditions in slums which make some children take to crime, reasons offered range from parental discord to exposure to criminal experience at an early age. Most think it is due to lack of parental care and control. Poor family conditions also get mentioned. KA also points out that it depends greatly on types of adults in slum. If they are deviants children also take to deviant behaviour naturally (see Table 10).

TABLE 10 CONDITIONS IN SLUMS WHICH MAKE SOME JUVENILES DELINQUENTS

<i>Conditions in Slums</i>	<i>Slums</i>				
	<i>AB</i>	<i>J</i>	<i>KA</i>	<i>LJ</i>	<i>SR</i>
Parental discord	✓	—	—	—	—
Lack of parental control and care	✓	✓	✓	—	✓
Poor family conditions	—	✓	—	—	✓
Peergroup activities at school/ neighbourhood	✓	—	—	—	✓
Types of adults in slums	—	—	✓	—	—
Exposure to criminal experience at early age	✓	—	—	—	—
Lack of education	—	—	—	✓	—
Lack of opportunities for self development	—	—	—	✓	—
Lack of vocational guidance	—	—	—	✓	—

#### PROFILE OF CHILD AND YOUTH IN SLUM

A child in slum is considered to be the one who is not given proper attention to or cared for. He is supposed to grow on his own. He is a picture of poverty and a worst victim of malnutrition. He can't go to good school because he does not get admission. He goes, if at all, to a municipal school and comes back and plays with his friends till he feels hungry and is called for taking his meal. This continues for a couple of years until he drops out of the school when he realises that it matters little to him and the society whether he goes to school or not (AB). KA feels the same way. The picture one gets of a child in slum is one who is malnourished, suffering from chronic diseases, lucky if he could attain education upto primary and fortunate if he does not have to take to illegitimate occupations for his livelihood.

According to KA, a youth is a frustrated unemployed searching something like a piece of job to eke out a living, failing which he takes to alcohol and gambling and in order to meet expenses on it takes to the path of making easy money—pickpocketing, thefts, etc.

#### CONCLUSION

The conditions of children through the stages of survival, nutrition, health, education, and employment are far from desirable. Not only there is a need for improving their conditions but also the conditions in which they live—their family and slums. Still the deviancy both on the part of adults and juveniles is much less than



what the conditions in slums really force them to be. The reason for this lies in as UB says:

One important characteristic of this slum is the closer link of residents with their respective villages. Their ties with their kith and kin in the native place are unbreakable. This intimate association with the village has strengthened their adherence to traditional norms. The rural culture influences their social behaviour and despite great hardship and living under sub-human conditions their moral fibre has remained intact. They have such a high sense of morality that even under the influence of alcohol they seldom violate the norms of socially accepted behaviour.

Rural ties, community feeling which make slum dwellers on the one hand God-fearing and therefore less prone to deviant behaviour, on the other hand, make them fatalistic, believer in certain social and religious dogmas which go against the welfare of women and children, especially if those children happen to be females. The concern should be to introduce the desirable new values in such a way that good traditional values do not cease to exist. □

# *Organisation for Urban Development in Metropolitan Calcutta\**

ABHIJIT DATTA

THE INSTITUTIONAL problems in metropolitan Calcutta first attracted official attention with the publication of Rowlands Report (1945) appointed by the provincial government of Bengal before partition.<sup>1</sup> This was again reviewed by the Calcutta Metropolitan Planning Organisation (CMPO) in its Basic Development Plan (1966).<sup>2</sup> However, it is only since the creation of the Calcutta Metropolitan Development Authority (CMDA) in 1970 that many of the problems identified earlier have become acute. In this paper we first follow the reactive posture of the CMDA in response to the demands of its environment to adjust its internal organisation and its relationships with other public organisations. This is followed by a consideration of municipal reorganisation in the metropolitan area. We then move on to the larger issue of metropolitan reorganisation for integrating both development and maintenance tasks by all the involved public organisations. Finally, we underline the essentially political nature of the reorganisation options and suggest that there is an opportunity to give a lead in this sphere from the vantage point of the primate metropolis in the country.

## CMDA AND ITS ENVIRONMENT

Ever since its inception, the CMDA has been adjusting itself to the demands of its environment. A brief description of these changes is

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<sup>1</sup>Bengal, *Report of the Bengal Administration Enquiry Committee, 1944-45*, Alipore, 1945.

<sup>2</sup>West Bengal (CMPO), *Basic Development Plan for the Calcutta Metropolitan District, 1966-86*, Calcutta, 1966.

provided below:

Period I. 1970-73: *Command Agency Approach*

- 1970 — Metropolitan Fund created to implement BDP schemes; CMDA allocates Plan funds to various implementation agencies.
- 1972 — CMDA creates its own cells in various state agencies.
- 1973 — CMDA takes control of the superseded boards of HIT, CMWSA.

Period II. 1974-77: *One Umbrella Approach*

- 1974 — 5th Plan and the CUDP I (1974-77) started: departmental Plan allocation restored and CMDA loses control over Plan funds.
- 1975 — CMDA reorganisation creates planning and *bustee* directorates.
- 1976 — CMPO abolished; CMDA prepares first perspective plan (DPP: 1976-79).

Period III. 1978-82: *Management Development Efforts*

- 1978 — CUDP II (1978-82) starts with emphasis on management development: CMDA creates monitoring cell, training institute and appraisal capabilities.
- 1979 — IUDP ends with the merger of Central Plan assistance with State Plan allocation.
- 1980 — Urban Development Strategy Committee suggests decentralisation in metropolitan development and increased assistance to the municipalities for this purpose.
- 1981 — CMDA discusses municipal development projects with the newly elected municipal chairmen within the CMD.
  - HIT & CMWSA supersessions lifted; CIT board re-constituted.
- 1982 — Town and Country Planning Act (1979) enforced ; CMDA prepares second perspective plan (RPP : 1981-2001).
  - Municipal Finance Commission considers framework of CMDA-municipal relations and suggests metropolitan-wide institutional issues to be examined separately.

Period IV. 1983-87 : *Preparation for Decentralisation*

- 1983 — CUDP III (1983-87) suggests transfer of local-level projects to the CMD municipalities: CMDA strengthens monitoring cell to include appraisal and evaluation, decentralises municipal development directorate.
- 1984 — New Calcutta and Howrah Municipal Corporation Acts

enforced; CMDA is represented in both the Corporations.

- State Government decides absorption of CIT, HIT, CMWSA with the CMDA.<sup>3</sup>

The special organisational status of the CMDA was conceived in the context of launching of the central IUDP; however, this approach was accepted subsequently by the World Bank by designating it as the project authority for the three CUDPs. On the other hand, since the launching of the Fifth Five Year Plan, CMDA's relations with other implementing organisations have fallen in line to conform to the normal practice of departmental allocation of Plan funds. Hence, CMDA's relative position of strength *vis-a-vis* other implementing agencies has declined compared to the initial period when the 'command agency' approach was mooted. Since then, with every CUDP, the CMDA's internal organisation has undergone changes in keeping with the changed emphasis of the successive doses of IDA funding. It is, therefore, likely that another bout of reorganisation of CMDA's organisation is in the offing, if the current mood of decentralisation is to be accommodated. Since decentralisation in development efforts would affect other organisations as well, particularly the municipal bodies, it is to be seen how this task is satisfactorily accomplished, especially after the two giant municipal corporations get elected.

CMDA's relations with the two improvement trusts and the CMWSA have been uneasy from the beginning. Perhaps CMDA would like to have these merged with itself in order to strengthen its own area of operations; however, the two corporations may as well claim that urban renewal really belongs to their domain, and in terms of the original intention of creating these trusts, on dissolution, this activity should be reverted back to the corporations. In any case, CMDA's *bustee* improvement work and the task of urban renewal should be viewed together. CMWSA is a distinctly sectoral body and it would be quite inappropriate to merge it with a multi-sector development agency, like the CMDA. The major problem that the CMWSA will face is in the area of its operation, including fixation of tariffs, billing and collection of water and sewerage charges. It is unlikely that this will easily fit into the CMDA's strategic planning and construction efforts.

The immediate problem that the CMDA faces is in successful decentralisation of the local development projects to the municipal

<sup>3</sup>See, West Bengal, *Report of the Administrative Reforms Committee*, (Chairman, Dr. Ashok Mitra), Calcutta, 1983, p. 4. The Committee, however, wanted the CMDA to have a supervisory role over the CIT, HIT and CMWSA.

authorities, including the two corporations when these are elected. So far it has not been possible to improve municipal staffing to undertake local development, neither the CMDA could transfer its staff to the municipalities for this purpose. Since most trans municipal projects are undertaken by the existing state agencies, including the CMWSA, with the effective transfer of all local projects—about 50 per cent of all CMDA investment—to the municipalities, the CMDA may be transformed into a planning authority (CMPA ?).

This brings us to the CMDA's planning role. With the abolition of the CMPO, the CMDA has been updating the erstwhile Basic Development Plan (BDP) through its two perspective planning exercises in 1976 and 1981. The enforcement of the town and country planning legislation would entail strengthening of the CMDA's spatial planning capabilities for which it has no expertise at the moment. If this planning is limited to structure planning at the metro-level, as seems likely, the local-level detailed development plans may have to be done with the help of the municipal authorities, including the two corporations. Here again there is an element of uncertainty. At any rate, however one views decentralisation of metropolitan development, this would inevitably entail a re-examination of the inter-institutional relations within the metropolitan area and, therefore, cannot be seen only through the perspective of the CMDA alone.

#### MUNICIPAL REORGANISATION

In view of the impending transfer of local-level CMDA projects to the concerned municipalities and the consequent need to strengthen local government through a massive input of skilled staff and large dosage of Plan funds, it is imperative that the existing municipal boundaries be redrawn to amalgamate contiguous municipal and non-municipal urban areas. The immediate objective for this type of reorganisation would be to create about 9 viable additional municipal corporations in the metropolitan area so that there is no immediate need to extend the jurisdiction of the two core corporations. A similar approach has been accepted in Maharashtra in relation to the Bombay metropolitan region, where 4 new municipal corporations are being created to the north of the Greater Bombay city area. This would hopefully contain the need for expansion of the core city to extend civic services of a higher order at its periphery. Earlier, the BDP had a similar solution; unfortunately, along with its proposal for creating 7 new suburban municipal corporations (apart from the two core corporations), it also suggested the setting up of 11 new special purpose bodies to take-over existing municipal functions.

Apart from the creation of the CMDA and CMWSA, no new special purpose bodies could be created; as such, one might as well think of strengthening the municipal authorities by upgrading their status and allow them to discharge a wider range of civic services, including person-related services, such as, primary education, primary health, and social welfare services, in addition to the existing property-related services. The 11 new municipal corporations may be as follows:

<i>Proposed New Corporations</i>	<i>Area (Sq. Km.)</i>	<i>Population, 1981 (‘000)</i>
<i>East Bank</i>		
1. Kamarhati (including Baranagar and Kamarhati municipalities)	18.08	348
2. Dum Dum (including Dum Dum, North Dum Dum and South Dum Dum municipalities)	36.77	360
3. Panihati (including Panihati, Khardah and Titagarh municipalities)	16.85	355
4. Barrackpore (including Barrackpore, North Barrackpore and New Barrackpore municipalities)	37.03	240
5. Bhatpara (including Bhatpara and Garulia municipalities)	19.42	320
6. Naihati (including Kanchrapara, Halisahar and Naihati municipalities)	21.70	298
<i>West Bank</i>		
7. Rishra (including Uttarpara— Kotrung, Konnagar and Rishra municipalities)	18.06	211

<i>Proposed New Corporation</i>	<i>Area (Sq. Km.)</i>	<i>Population, 1981 (‘000)</i>
8. Serampore (including Serampore, Baidyabati, Champdany and Bhadreswar municipalities)	30.89	332
9. Chinsurah (including Hooghly- Chinsurah and Bansberia municipalities)	25.65	203

It will thus be seen that all the proposed new municipal corporations will have a population range between 200,000 to 400,000 each; even after including the adjoining urban areas and rural pockets the total population would not exceed 500,000 each. It is also suggested that the existing municipal corporation legislation for Howrah may be the basis for a new statewide municipal corporations Act. Calcutta may continue to have its separate municipal corporation Act in view of its special importance in the state. The proposed boundary delineation takes into account the existing drainage basins within the metropolitan area, as was done under the BDP scheme.

The immediate advantage of such a municipal reorganisation would be that these new municipal corporations would be able to take charge of all local-level projects under the CUDP III and future planning and implementation of all such projects could be entrusted to a single municipal authority, thereby solving the problem of asset creation and their maintenance. It would also be possible for the state-level agencies, like the Housing Board, Water Pollution Control Board, Electricity Board, Central Valuation Board, etc., to delegate most of their operative functions to these municipal corporations. At the metro-level also similar logic would apply. The existing state directorates also could work through these municipal corporations and think of divesting some of their responsibilities to them. This then becomes the first effective stage of decentralisation in metropolitan management within the existing institutional framework. The direct development responsibilities of the CMDA and the CMWSA would then be limited to trans-municipal and non-municipal projects. The municipal authorities would be responsible for both development and service delivery within their areas.

It may be necessary to create separate development wings in the new corporations to execute and eventually plan the various projects within their areas; on a rough reckoning the ultimate size of the

development wing may be as large as the entire maintenance wing of an existing municipal corporation in terms of budget, manpower, equipments, etc. At a later stage this may create problems of integration of the two wings into a single organisation. Keeping this in view, one hopes that widening the scope of the existing maintenance organisation to include development tasks would be attempted; only when this proves to be difficult, separate temporary wings could be created so that within a reasonable time the entire organisation is revamped. A suitable maintenance charge may thus be built-in the estimates of all new projects cost in order to enable the maintenance wing to improve its functioning and prepare itself to undertake complex and expanded tasks later.

#### METROPOLITAN REORGANISATION

Once the problem of local-level service delivery is overcome through reorganisation and strengthening of municipal authorities, the task of metropolitan coordination may have to be attended to. Here there are two contradictory views: (a) the existing metro-authority (MPA) would undertake this coordination through strategic planning, capital budgeting, programme coordination, project monitoring and evaluation; and (b) a new metro-level municipal government may be created to undertake metro-level tasks and coordination of local-level functions through associating the municipal authorities in such an organisation. The difficulty of the metro-authority is that, as a bureaucratic organisation it cannot undertake coordination of the public agencies, including municipal authorities, which is essentially political in nature. Such coordination is exercised by the state government, to the extent possible, through its finance department and unless the metro-authority is subsumed under a metropolitan development bank, its capital budgeting and resource allocation role will never be actualised. Functional integration of state responsibilities at a sub-state (metropolitan) level is not possible under the Anglo-Saxon system of allocating governmental responsibilities where a functional, rather than an areal, distribution of authority is permissible.

Objections to the creation of a metro-government in India is based on the apprehension that this is not politically feasible, as no state government would willingly decentralise its 'sovereign' power of coordination to a sub-ordinate authority. Conceptually, however, this view is untenable as local government already enjoys political powers of regulation and taxation, within certain safeguards, through delegation. There is no reason why the scope of regulation cannot be expanded to include coordination of the municipal authorities,



which constitutes the metro-government. Alternatively, the constituent municipal authorities may themselves surrender part of their autonomy voluntarily to the metro-government, when it is created, to ensure coordination. In either case, such coordination could be exercised by an elected body in which the municipal authorities may be represented through indirect election (Toronto plan). Articulation of metropolitan political opinion is, of course, a condition precedent for a political solution of metropolitan development problems.

### CONCLUSION

We have seen that the ethos of decentralisation in metropolitan development, coupled with the prospect of improved bargaining power of the municipal authorities within the CMD, hold the prospect of a major reorientation of the role of CMDA, perhaps first by converting it into a planning authority (MPA) and later replacing it by a full-fledged metropolitan government. The recent task force of the Planning Commission on the management of urban development has endorsed the MPA status of the existing metro-authorities in the country, while it shied away from any serious consideration of their substitution by metro-government to integrate metropolitan-wide development and management tasks.<sup>4</sup>

It means that the existing role of the CMDA needs to be transformed to bring it in line with the concept of a CMPA (much like the present MMDA), as we have already discussed. It is upto the genius of Calcutta whether to follow Madras or to chart out its own destiny in metropolitan management, as it has already done in the field of city management through the introduction of the mayor-in-council. Undoubtedly, decisive action in this area could be considered when the state government accords it a priority and considers the reform options through an official enquiry commission consisting of knowledgeable experts. □

<sup>4</sup>India, Planning Commission, *Management of Urban Development*, New Delhi, September, 1983.

# *Politics of Urban Transportation in Calcutta: The Calcutta State Transport Corporation (CSTC), 1948-67*

AMARTYA MUKHOPADHYAY

THIS PAPER is devoted to an analysis of the politics of urban transportation in Calcutta. West Bengal Government's transportation policy for Calcutta, its goals, the displacement of these goals by political factors, and how this goal-displacement affected the performance of the major agency created by the government, to realise its objectives in the field of transportation, would be the central concern, of this paper. Its focus is thus on the politics of policy.

The objectives that could be identified of government's transportation policy are: (1) removal of shortages of transportation facilities in Calcutta persisting since the end of World War II; and (2) nationalization of all forms of transportation. Nationalization itself was a means for the realisation of objective 1, since its purposes were: (a) improving the quality of urban transportation; and (b) plying basis on unremunerative routes, which did not attract private operators, but were important in the context of urban growth. But another purpose-nationalization was designed to serve, and that was not directly related to specific objectives in the field of transportation was creation of employment opportunities in the public sector. Besides, nationalization itself became an attractive goal owing to purely political reasons.

Section one of this paper will concern itself with nationalization and related objectives, and will describe the circumstances under which nationalization emerged as a goal. Section two will be devoted to the operational aspects of the policy of nationalization. Section three will deal with deviation from the goal of nationalization and political factors which brought this about. Section four will consider to what extent denationalization of bus routes was a result of CSTC's organizational performance and of government's policy.

## POLICY OBJECTIVES

Even before independence, the government of Bengal was concerned with problems of mass transportation in Calcutta. All over India the entire road transportation system was put under heavy strain because of the war and Calcutta was no exception. The inadequate petrol ration for buses, limitation of the hours during which the buses could ply, requisitioning of buses for the air raid programme and diversion of even the scanty petrol ration available by operators to non-transportation uses<sup>1</sup> necessitated both 'regulatory' and 'promotional' intervention on the part of the government. The solution contemplated by the League Government, apart from purely temporary remedial measures, was to take urban transportation away from private hands, nationalise the Calcutta Tramways Company (a British Company running trams in Calcutta) and form a Passenger Transport Board, which could "take over all passenger transport services including the tramways", as quickly as possible.<sup>2</sup> Nationalization of only bus services was planned for even before, in 1943, and a committee was appointed to discuss how this could be done.<sup>3</sup> But despite a favourable report in this regard in 1947, no concrete steps were taken.

After independence, the Government of West Bengal had additional reasons to be worried about the shortage of transportation facilities. The buses plying under private ownership could not absorb the increased travel demand born of the partition of Bengal, and the consequent influx of refugees. And government decided to take upon itself a portion of the burden of city traffic.<sup>4</sup>

Central Government's policies in the field of transportation were not conducive to the development of road transportation. Its sole concern was to protect the interest of the railways.<sup>5</sup> Therefore, redress-

<sup>1</sup>See *Report of the Commission of Inquiry, Calcutta, Bus and Tram Fare Structures in Terms of the Decimal Coinage*, Superintendent, Government Printing, W.B. Government Press, Alipore, West Bengal, 1958, (hereinafter to be referred to as the De Commission) p. 6. Also see West Bengal Legislative Assembly Proceedings (WBLAP) Vol. 72, No. 2, 11.3.47, pp. 94-95.

<sup>2</sup>WBLAP, Vol. 72, No. 1, 24.2.47, pp. 344-45, Vol. 72, No. 2, 12.3.47, pp. 111-13.

<sup>3</sup>De Commission Report, p. 8. Also see M.M. Singh and Abhijit Datta, *Passenger Transport Agencies in Metropolitan Calcutta*, Institute of Public Administration, New York, 1965, mimeographed; p. 68; and WBLAP, Vol. 14, No. 3, 12.3.56, p. 56.

<sup>4</sup>*Report of the Estimates Committee, West Bengal Legislative Assembly, Sixteenth Report, State Transport Corporations in West Bengal*, West Bengal, Legislative Assembly Secretariat 1974, p. 1. Also see WBLAP, Vol. 3, No. 2, 20.3.51, p. 664.

<sup>5</sup>See *Road Transportation Reorganization Committee Report*, Delhi Manager of Publication, March, 1959, (under the Chairmanship of M.R. Masani), pp. 11-12, 34, 37-38. Also see *Committee on Transport Policy and Coordination*, Planning Commission, Government of India, *Preliminary Report*, February, 1961, pp. 32-37.

ing the "extreme hardship of urban travellers owing to the "absolute inadequacy of transport facilities""<sup>6</sup> fell upon the state government. West Bengal Government decided to have a transportation service of its own side by side with private operators, because the 322 owners of 552 buses in Calcutta had neither the capital nor the organization to cater to post-war, post-Independence travel needs. Creation of a transport system becoming for a metropolis was beyond them.<sup>7</sup>

Introduction of a bus service with 25 petrol buses from July 31, 1948, under Calcutta State Transport as a departmental undertaking, was designed to equip government with the requisite experience for the ultimate nationalization of all forms of transportation in Calcutta.<sup>8</sup> Nationalization, again was a means for realizing certain other goals. One of them was improving the quality of urban transportation. Another was creation of employment opportunities in the public sector. Employment generation was given more importance than earning profits for the undertaking, and it was even referred to as "the primary function of the enterprise".<sup>9</sup> Still another goal of nationalization was expected to help realize was plying buses on unremunerative routes which did not attract private operators because of the low volume of traffic, but were perceived by the government to be important in the context of urban growth.<sup>10</sup>

Nationalization was also considered as an end in itself. Here the industrial policy of the Government of India was a primary motivating factor. In the 2nd Industrial Policy Resolution, proclaimed on April 30, 1956 industries were divided into three categories. In the first category fell industries which were to be the exclusive preserve of the state. But the second category, included industries in the development of which the state was expected to play a dominant role, but the private enterprise was expected to supplement the efforts of the state. Road transportation was listed among the 12 industries in Schedule B, or the 2nd category. But since the objective was that "all industries of basic and strategic significance or in the nature of the public utility services should be in the public sector" postponement of total nationalization of the industries in the second category was due to

<sup>6</sup>WBLAP, Vol. 2, No. 1, 17.2. 48. p. 29.

<sup>7</sup>*Ibid.*, Vol. 3, No. 2, 20.3.51 p. 664, Vol. 25. No. 2, Pt. 8, 15.3.60., p. 3.

<sup>8</sup>*Ibid.*, Vol. 1, No. 2, 20.3.50, pp. 274-75; *Anandabazar Patrika*, 14.9.77, article by Jatindranath Talukdar, *Estimates Committee Report*, p. 1.

<sup>9</sup>*Ibid.*, Vol. 7, No. 2, 17.3.53, pp. 1394-95, Vol. 7, No. 1, 25.2.53, p. 1406, Vol. 17, No. 2, 20.6.57, pp. 569-70.

<sup>10</sup>De Commission Report, p. 8; WBLAP: Vol. 7, No. 2, 17.3.53, p. 1393, Vol. 9, No. 2, 17.3.54. pp. 1364-65.

certain limiting factors.<sup>11</sup> If any state attempted nationalization of any of these industries its efforts would have been looked kindly upon, or even encouraged, by the Central Government. Actually even before this change of policy, enshrined in the 2nd Industrial Policy Resolution,<sup>12</sup> a provision of Rs. 12 crores was made in the First Plan for nationalized road transportation programmes in the states.<sup>13</sup> This definitely constituted an indirect financial encouragement. Besides, a piece of legislation enacted by the Central Government definitely urged bringing road transportation in the public sector.<sup>14</sup>

It should be mentioned here that just as inspiration of nationalisation of road transportation came from the central government, West Bengal Government's accent on employment generation was also encouraged by it. Four loans granted to the State Transport Undertaking in Calcutta by the Rehabilitation Ministry of the Government of India, totalling Rs. 100 lakhs, for the purchase of buses, stipulated the number of refugees to be recruited against each loan, and what per cent of them were to be camp refugees.<sup>15</sup>

#### OPERATIONAL ASPECTS OF POLICY

In pursuing its policy of nationalization government had to solve many problems. These problems, and the solutions devised, would form part of this section. The first problem was if nationalisation should be immediate. The answer was in the negative. In the 2nd Five Year Plan, on the basis of the recommendations made by a special study group, appointed by the Planning Commission to review the problems of road transportation, the latter suggested that "programmes for the expansion of nationalised services should be suitably phased".<sup>16</sup> While pursuing this policy West Bengal Government adduced two arguments in favour of phasing out their

<sup>11</sup>See Industrial Policy Resolution, New Delhi, April 30, 1956, in *Second Five Year Plan*, Planning Commission, Government of India; *Approach to 2nd Five Year Plan*, Annexure, pp. 43-46, paras 2-7.

<sup>12</sup>Road transportation did not figure among the Six basic industries listed in the first Industrial Policy Resolution of the Government of India adopted on April 6, 1948, in which the state, including the central and state governments "would be exclusively responsible for the establishment of new undertakings". See *First Five Year Plan*, Vol. 2 Planning Commission, Government of India, Chap. XXIX, p. 4. Also see *Second Five Year Plan*, Annexure, p. 43, para 1.

<sup>13</sup>*Second Five Year Plan*, Chapter XXI, Transport, p. 478, para 44.

<sup>14</sup>*Road Transport Corporations Act, 1950* (Act 64 of 1950) as modified up to August 1, 1960, Section 3, p. 3.

<sup>15</sup>See WBLAP, Vol. 14, No. 3, 12.3.56, p. 57; Vol. 22, No. 2, 26.2.59, p. 443; Vol. 25, No. 2, 15.3.60, p. 3.

<sup>16</sup>*Second Five Year Plan*, op. cit.

programme of nationalisation, viz.: (1) giving the private operators a little time to "rearrange their working", and (2) to allow government a little breathing space for getting their fleet ready.<sup>17</sup> The government also did not, before 1955, embark on a policy of nationalization of bus routes, and even then the policy was one of gradual nationalization. Private operators were to be phased out gradually.<sup>18</sup>

The second problem to be solved was how to finance the undertaking. The Chief Minister, who was also West Bengal's Transportation Minister made it known that the State Transport was to be run on a 'commercial basis'<sup>19</sup> but it was to eschew any concern with profits.<sup>20</sup> The minister warned against the "mistake of considering it to be a commercial undertaking".<sup>21</sup> The government stuck to the policy of abstaining from any attempts to make profit upto 1959,<sup>22</sup> but in 1958 the Chief Minister was found lamenting that State Transport had to be subsidized out of the general revenues.<sup>23</sup>

By 1960, the government completely discarded its indifference to profit earning by the undertaking, and decided to make the undertaking user-supported.<sup>24</sup> This change of attitude, however, meant nothing. The government's decision to cover unremunerative routes, and keep fares as low as possible<sup>25</sup> did not accord well with this policy shift. Besides, these together with the government's unclear stand on profits had already eroded the economic viability of the undertaking so irretrievably that change of policy regarding profits came too late to be immediately effective.

The third problem to be solved was the precise organizational form the nationalized bus service was to assume. From 1948 to 1960 Calcutta State Transport was a departmentally run undertaking. But on June 15, 1960 it was turned into a Corporation. The decision to form a Corporation was, however, again taken at the instance of the Central Government which had enacted, in 1950, a piece of legislation recommending corporation as the appropriate form of road transport undertaking. This Central Act, viz., the Road Transport Corporations Act (Act 64) of 1950, gave the Union Government power to fix the dates on which it will come into force in different states.<sup>26</sup> In West

<sup>17</sup>WBLAP: Vol. 11, No. 2, 12.3.55, p. 712.

<sup>18</sup>*Ibid.* Also see WBLAP, Vol. 3, No. 2, 20.3.51, pp. 664-65, Vol. 1, No. 2, 20.3.50, p. 276; Vol. 25, No. 2, 15.3.60, p. 3; Vol. 11, No. 3, 22.3.55, pp. 1-4.

<sup>19</sup>*Ibid.*, Vol. 5, No. 1, 16.3.49, p. 217.

<sup>20</sup>*Ibid.*, Vol. 7, No. 2, 17.3.53, p. 1394; Vol. 9, No. 2, 17.3.53, p. 1370, 1396-97.

<sup>21</sup>*Ibid.*, Vol. 9, No. 1, 24.2.54, pp. 860-61.

<sup>22</sup>*Ibid.*, Vol. 22, No. 2, 28.2.59, p. 446.

<sup>23</sup>*Ibid.*, Vol. 20, No. 1, 14.6.58, p. 595.

<sup>24</sup>*Ibid.*, Vol. 25, No. 2, 7.3.60, p. 27.

<sup>25</sup>*Ibid.*, Vol. 22, No. 2, 28.2.59, p. 446.

<sup>26</sup>See RTC Act, 1950, as modified upto August 1, 1960, sec. 1 (3), pp. 1-2.

Bengal, the Act became operative on and from March 2, 1953.<sup>27</sup>

West Bengal's Chief Minister himself had said in the Assembly that one important reason why government took the decision to form a Corporation was the clear wish of the Government of India that the State Transport Service should not be run any more as a departmental undertaking.<sup>28</sup> Apart from expressing this wish the Central Government had also taken concrete steps to ensure compliance. The Planning Commission had advised the states as early as in 1954 to form tripartite Corporations, including the Railways. The principle was reiterated at the time the Second Plan expenditures of the states on road transportation were approved. The Planning Commission had made it quite clear that greater financial allotments were conditional to the formation of such Corporations. The Planning Commission by way of backing the Corporation pattern of organization were presenting the recalcitrant states with a slash in their general plan expenditures to the extent of their outlays on departmental road transportation undertakings.<sup>29</sup>

Public Corporations are "hybrid creatures, possessing some of the characteristics of private firms and some of public agencies"<sup>30</sup>. They offer a successful combination of political control on policy and managerial freedom in decisions on matters that are not of major importance<sup>31</sup>. To fasten initiative and enterprise the public corporation has been granted substantially greater freedom than a department in charge of a minister in the retention of their own earnings and deciding how to save, invest or spend it, in raising resources, in matters of finance and personnel, budgeting and accounting, fixation of pay-scales, letting of contracts, production, distribution and development.<sup>32</sup>

But many of the provisions of the Road Transport Corporations Act were designed in a way which would have made possible some deviation from the theoretical distinctiveness of public Corporations and some other provisions positively removed and distinction from

<sup>27</sup>See R.T.C. Act, 1950 *op. cit.*, footnote 2, p. 2.

<sup>28</sup>See WBLAP, Vol. 24, 30.11.59, Road Transport Corporation, West Bengal Amendment Bill, 1959, p. 348.

<sup>29</sup>See Ramanadham and Nangea, "Corporation Vs. Departmental Form in Road Transportation", IJPA, Vol. VI, No. 1, January-March 1960, pp. 54-56. Also see S. Subramaniam and Mahesh Chand, "Planning and Administration of Motor Transport in India IJPA, Vol. XXVI, No. 1, January-March, 1980, p. 6.

<sup>30</sup>See Anmaric Hauck Walsh, *The Public's Business. The Politics and Practices of Government Corporation: A Twentieth Century Fund Study*, Cambridge, Massachusetts. The MIT Press, 1978, p. 4.

<sup>31</sup>W.A. Robson, *Nationalized Industry and Public Ownership*, London, George Allen and Unwin Ltd., 1966, pp. 75-76.

<sup>32</sup>See Walsh: *op. cit.*, pp. 4-5; Robson, *op. cit.*, p. 74.

departmentally run undertakings.

An example of the first type of provisions would be Section 5, which left undefined the potential membership of the Board so that it could be composed of all officials, all non-officials or of any combination of the two. Section 29 made depreciation and other reserves subject to the directions of the government. Section 33 (in sub-sections 1-4) destroyed the possibility of a commercial type of audit. Section 34 of the Act empowered the government to give general and binding instructions to the corporation on such wide matters as recruitment, conditions of service and training of its employees, wages to be paid, reserves to be maintained and disposal of the Corporations' profits and stocks.

The second type of provisions explicitly reduced the corporation to the status of a government department. Section 30 of the Act empowered the government to determine the use of profits earned by the Corporation. The amending Act of 1959 made matters worse by requiring prior approval of the central and state governments for channeling any part of the profit for the expansion programmes of the Corporation, and by directing that the remainder of the profit shall be made over to the state government for the purpose of road development. This section made it theoretically possible for the government to appropriate all the profits of the undertaking. The distinction between a Corporation and a government department was even more blurred by Section 32(2) which provided that "subject to provisions of sub-sections (3) and (4) no sum shall be expended by or on behalf of a Corporation unless the expenditure for the same is covered by a current budget grant by the State Government".<sup>33</sup>

According to two scholars the Act, by taking away Corporation's autonomy to such an extent deprived them of a major reason against departmental undertaking.<sup>34</sup> West Bengal's Transportation Minister (also its Chief Minister) was of the opinion that the reason behind enactment of this Act was the realisation that for commercial undertakings the procedure followed by government was not very congenial, and a different form of organisation was necessary in the interests of speedier decisions and management on business lines.<sup>35</sup> But the way West Bengal Government took advantage of these provisions of the Act did not leave any scope for speedier decision and professional management.

The fourth problem to be solved was what would be the model components of the nationalised transport system. The government

<sup>33</sup>See relevant provisions of RTC Act as modified up to 1960.

<sup>34</sup>Ramanadham and Nangea, *op. cit.*, p. 56.

<sup>35</sup>WBLAP, Vol. 24, 30.11.59, p. 349.



of West Bengal was not unaware that no big city of the size of Calcutta has been able to solve the problems of transportation and of peak period congestion through trams and buses alone.<sup>36</sup> The technical factor which urged the government to think of model innovation were that Calcutta's limited road space, accounting for only 6 per cent of the total urban area imposed limits on the number of buses that could be put on the roads.<sup>37</sup> With 310 state buses and 560 privately owned buses plying on Calcutta streets in 1953, the maximum limit specified by road experts, so far as buses were concerned, had, according to the government, already been reached.<sup>38</sup> And since traffic jams had become endemic in Calcutta streets as early as 1956, the government had to look beyond conventional modes of surface transit for a solution of the problem.<sup>39</sup>

Regarding solutions, however, while the scheme of an underground railway for Calcutta was thought up by the government itself in 1949,<sup>40</sup> the suggestion of a circular electric railway for Calcutta had come from a committee appointed by the Central Government.<sup>41</sup>

#### DEVIATION FROM THE GOAL OF NATIONALISATION

It cannot, however, be said that the goal of nationalisation was pursued vigorously. An opportunity to nationalise Calcutta Tramways had come and was allowed to go. The Calcutta Tramways Company (CTC), a British-owned undertaking, was to finish their seven-year term of operation in 1952, and had approached the government as early as in 1949, for a decision on the matter. The West Bengal Government waited idly till the date line for serving one year's notice of takeover was crossed. The government's reason for desisting from immediate takeover was exorbitant price stipulated by the existing agreement. And it entered into a fresh agreement with the CTC for 21 years after which the undertaking could be acquired at a far more reduced price. There were a number of controls built into the agreement which laid down the priorities for the application of the company's revenues, ensured adequate provision on renewals and replacements, created a Special Reserve Account

<sup>36</sup>WBLAP, Vol. 25, No. 2, 15.3.60, p. 7.

<sup>37</sup>*Ibid.*, Vol. 14, No. 3, 12.3.56, p. 78.

<sup>38</sup>*Ibid.*, Vol. 7, No. 2, 17.3.53, p. 1417.

<sup>39</sup>*Ibid.*, Vol. 14, No. 3, 12.3.56, p. 58, Vol. 25, No. 2, 15.3.60, p. 7.

<sup>40</sup>*Ibid.*, Vol. 5, No. 1, 16.3.49, p. 217, Also see *The Statesman*, Calcutta, 16.3.49, and *Anandabazar Patrika*, Calcutta, 17.3.49.

<sup>41</sup>This was the Calcutta Terminal Facilities Committee, appointed by the Government of India in 1947. See *Traffic and Transportation Problems in Metropolitan Cities*, Interim Report, Metropolitan Transport Team, Committee on Plan Project Planning Commission, New Delhi, May, 1967, p. 20.

where excess profits were to accumulate to reduce the purchase price to the extent of accumulation, and which through an Advisory Committee, consisting of nominees of the company and the government, allegedly made it possible for the government to have some say in the Company's decision making.<sup>42</sup>

But as subsequent years proved, the agreement was really a trap, which the company "persuaded the Government of West Bengal by subterfuge and by suppression of material facts about its omissions and commissions to enter into".<sup>43</sup> The Company had held out the tantalizing prospect of take over at vastly reduced prices only for securing a long respite from uncertainty, to fleece the company while before making it over to the government. The Company neglected basic repairs of the cars, track rolling stock, etc.<sup>44</sup> And as a result of its indifferent performance by the undertaking put greater strain, on CSTC during its days of monopoly of Calcutta's routes.

Implementation of the scheme of nationalisation of bus routes was also far from satisfactory. Nationalisation was visualised as a remedy for four constraints under which the Calcutta State Transport Undertaking was working : (1) Competition with the owners of private buses, who did not have to employ personnel on a permanent basis or give them any of the benefits and privileges enjoyed by employees of Calcutta State Transport, (2) Competition with Calcutta Tramways, (3) Confinement of operation to Calcutta City, City Transportation being by its very nature less profitable than rural operation, (4) Unremunerative routes the undertaking was saddled with.<sup>45</sup>

But not only was the government's time schedule of nationalisation (1956-61)<sup>46</sup> exceeded, actually contrary to widespread belief, bus transportation in Calcutta was never completely nationalised. Even in 1962 three routes remained to be taken over.<sup>47</sup> These were

<sup>42</sup>See WBLAP, Vol. 5, No. 1, 16.3.49, p. 217, Vol. 4, 18.9.51, 19.9.51, pp. 69-74, 114-117.

<sup>43</sup>Statement of R.N. Roy Chowdhury, Commercial Editor, *Jugantar* to the Calcutta Tramways' Company Inquiry Commission, quoted in Sisir Mitra, *A Public Facility, Its Management and the Workers: A Case Study of the Calcutta Tramways, Its Growth and Decay, 1939-75*, New Delhi, Peoples Publishing House, 1980, p. 228.

<sup>44</sup>An Inquiry Commission had found in 1967 that "the magnitude of backlog of renewals and replacements is staggering". *Report of the Calcutta Tramways Inquiry Commission (Mimeographed) 1967-68*, (appointed by the Government of West Bengal under the Chairmanship of P.C. Mallick), pp. 32-33. For the way the company cheated government, see Sisir Mitra, *op. cit.*, pp. 10-22, pp. 169-77 and *Mallick Commission Report*, pp. 36-51.

<sup>45</sup>WBLAP, Vol. 7, No. 2, 17.3.53, pp. 1393-94, Vol. 9, No. 2, 17.3.54, p. 1366.

<sup>46</sup>*Ibid.*, Vol. 14, No. 3, 12.3.56, p. 57, Vol. 16, 28.1.57, p. 5, Vol. 17, No. 2, 20.6.57, p. 570.

<sup>47</sup>*Administration Report, CSTC, 1961-62*. p. 1.

not brought under the scheme of nationalisation upto 1966.<sup>48</sup> And in December 1966, private buses started reappearing in Calcutta ending all hopes of nationalisation of bus routes. Today Calcutta's transportation depends in a big way on private buses.

The exact circumstances under which private buses reappeared in Calcutta have to be gone into if we want to ascertain the role of politics in it. During the months immediately before their reintroduction the government gave no hint that it would change its stand on nationalisation. Private buses were brought into Calcutta in December 1966, during a strike in CSTC and CTC. But just a few months before the strike government was contemplating a novel scheme to meet CSTC's inability to serve Calcutta's peak and off peak requirement owing to its depleted fleet. CSTC was to hire some buses of private operators and run them as state buses with CSTC's conductors. The Transportation Minister of P.C. Sen's cabinet, however, made it clear in August, 1966, that the scheme in no way does "impinge on the principle of nationalisation of City Transport Service".<sup>49</sup> The scheme, however, fell through. Earlier, in February, 1966, the Minister had not only reiterated the policy of nationalisation of bus service in Calcutta, but had spoken of extending CSTC's services outside Calcutta.<sup>50</sup>

But despite its professions to the contrary the government seems to have been setting the stage for the reintroduction of private buses. In November, 1966 the Transport Minister of the Congress government made it known that CSTC would withdraw its services from four out of its routes and concentrate its services on the remaining twenty-eight routes. Because of a go-slow agitation by State Transport Workers 200 buses were out of commission, and as a temporary measure 200 private buses were to be pressed into service on these routes. Although the Transport Minister assured legislators that the policy of nationalisation had not been given up or abandoned,<sup>51</sup> and had claimed that the decision to denationalize these 'unprofitable' routes had been taken by CSTC itself, "an autonomous Corporation where ministers had no voice", it does not seem likely that CSTC had on its own taken this decision.<sup>52</sup>

<sup>48</sup>This would be evident from the fact that from 1961-62 to 1965-66 the number of routes operated including newly opened ones, remained stationary at 31. See *Administration Report, CSTC, 1961-62*, p. 1, 1964-65, p. 7, 1965-66, p. 8.

<sup>49</sup>WBLAP, Vol. 43, 26.8.66, p. 141.

<sup>50</sup>*Ibid.*, Vol. 42, No. 1, 21.2.66, p. 127.

<sup>51</sup>*The Statesman*, Calcutta, November, 16, 1966.

<sup>52</sup>WBLAP, Vol. 44, 5.4.67, p. 741, Official Circles in West Bengal, however, believed that the decision was of government itself. *The Statesman*, Calcutta, Nov. 27, 1966. CSTC was highly reactive to the introduction of private buses in Calcutta. See *Anandabazar Patrika*, Calcutta, July, 21, and August 3, 1965.

Extension of 220 suburban private buses into these four routes was a preparation for something bigger. CSTC and CTC workers had threatened a continuous strike since the middle of November 1966. To stop the complete paralysis of the city's traffic a large contingent of private buses were planned to be put on the roads, and this was a preliminary step toward plying them. The strike was, however, deferred to the middle of December, 1966 and to legalise the operation of private buses up to then Defence of India Rules were relied on initially, but subsequently an ordinance inserting a new section in the Motor Vehicles Act, 1939 was promulgated.<sup>53</sup>

The CSTC strike started on December 13, and was called off on December 15. But the Tramway strike, which started on December 12, continued upto January 24, 1967. To fill up the gap left by the Tramways 136 more buses were pressed into service in different batches under DIR. Even these were found insufficient and on December 28, 1966, in a meeting with the Transport Commissioner and other officials of the Public Vehicles Department the Transport Minister decided to give advertisement in the newspapers for more buses to be put on the tram routes.<sup>54</sup>

Initially it was decided on December 30, that only 250 buses would be placed on tram routes in Calcutta and 100 buses on tram routes in Howrah (an adjacent town). But only three days later, on January 2, their number was increased to 450 buses in Calcutta and 150 buses in Howrah. No explanation as to the substantial increase in the number of buses was provided. As if to justify this the Transport Minister had formally accepted, on January 9, 1967 "the policy of running private buses in the city for supplementing the existing services", since the CTC and the CSTC "had failed to provide adequate transport services in the city", although the demand for transport had gone up substantially in recent years due to increasing economic activities. The number of buses to be plied was raised first to 500 and subsequently offer letters for another 61 was issued.<sup>55</sup>

A few facts are noteworthy about the episode. First, a one man inquiry committee appointed by the United Front Government (installed in power after the March, 1967 General Election)<sup>56</sup> had discovered gross malpractice, sinister disregard for rules and glaring

<sup>53</sup>*Report of Shri R. Gupta, I.C.S. (retired), Regarding the Issue of Bus Permits in January/February, 1967, by the Congress Regime, and Statement by Shri Jyoti Basu, Transport Minister in the West Bengal, Legislative Council on July 31, 1967, Government of West Bengal, Home (Transport) Department, West Bengal Government Press, 1967, pp. 13-14. Also see WBLAP, Vol. 44, 16.3.67, pp. 202-3.*

<sup>54</sup>R. Gupta, *op. cit.*, p. 14.

<sup>55</sup>R. Gupta, *op. cit.*, pp. 14-17, 27. Jyoti Basu's Statement, p. 4.

<sup>56</sup>The enquiry committee referred to is R. Gupta's Committee.

favouritism in the distribution of permits. Secondly, the permits were issued just before the elections. Thirdly, most of the buses were produced after tram strike was over. Fourthly, these buses were not placed on CSTC's routes, or on routes covered by tramways but on entirely new routes. According to the United Front Chief Minister "it was impossible for any one to say with any pretence of making sense that the Calcutta State Transport Service had failed to provide adequate services on them". Fifthly, there were reports in the press that lakhs of rupees had been offered as graft for these permits which had been granted completely illegally. Sixthly, the committee of inquiry found the Congress Chief Minister and the Transport Minister behind all these irregular practices. They were acting in collusion with the Transport Commissioner and the Director of the Public Vehicles Department. Seventhly, shortages in Calcutta's transportation facilities had been persisting for many years. But as the Chief Minister of the Left Front had pointed out "suddenly on the eve of the General Elections there came a sudden awakening of the conscience, and the sin of past neglect and omission was sought to be washed away by one single act of piety". The hurry was so much that buses had to be plied without legal sanction, on routes that had not been opened by Regional Transport Authority.<sup>57</sup>

These facts lead to a few inevitable conclusions. Firstly, denationalisation of bus routes was not solely due to a perception of Calcutta's transportation needs left unsatisfied by CSTC'S bad operational performance, but was aimed at satisfying certain electoral interests on the eve of the 4th General Elections, in 1967, by the distribution of permits.<sup>58</sup> Secondly, the CSTC and CTC strike was used as a pretext by the Congress Government for doing this. This would be evident from the fact that even during the strike, in a meeting with the Transport Commissioner and other officers, the Transport Minister had decided that the number of additional buses to be introduced should be limited to a number for which accommodation on a permanent basis could be found after the tram strike was over, and that to accommodate these buses CSTC would withdraw its buses from a certain number of routes.<sup>59</sup>

<sup>57</sup>See R. Gupta, *op. cit.*, pp. 13-22, 24-27, Jyoti Basu's Statement, pp-1-12, *Jugantar*, Calcutta, February 28, 1967. Jyoti Basu, Transport Minister, also referred to Press reports that Contributions had been made to the Congress election fund for these permits. See WBLAP, Vol. 44, 5.4.67, p. 735-40.

<sup>58</sup>This was reported in *Final Report of the Calcutta State Transport Corporation Inquiry Commission*, 1976 (under the Chairmanship of Nabagopal Das, I.C.S.), Government of West Bengal, Home Department, Transport Branch, Superintendent, Government Printing, West Bengal Government Press, Alipore, West Bengal, p. 17.

<sup>59</sup>R. Gupta, *op. cit.*, p. 14.

The United Front Government continued with the policy of denationalization of Calcutta's bus routes as a temporary, short term measure.<sup>60</sup> But the U.F. government had only a brief stay, and no subsequent government tried sincerely to bring back CSTC's monopoly of Calcutta's bus routes. Ten years later two former Chairmen of the Corporation deplored the fact that in the name of the travelling public lucrative routes were handed over to the private operators and new routes were created for them. The government, they complained, stood guarantor for purchase of buses by private operators, when CSTC was suffering from capital starvation.<sup>61</sup>

The subsequent period was one of steady increase in the number of private buses and routes opened to them. A man who was at the helm of affairs of the CSTC for 19 years and 9 months and whose leadership had been highly praised by Dr. B.C. Roy, warned in 1977, that if more private buses were inducted, the State Transport Corporation would never be able to pull itself together and rise above its recurrent losses.<sup>62</sup> This warning has gone unheeded. In the year 1977, of the 2400 buses plying in the city, only 540 were owned by the State Transport Corporation. An analysis by Calcutta Metropolitan Development Authority showed that while privately owned buses accounted for 61 per cent of the city's transit load only 20.40 per cent were carried by the CSTC. The analysis concluded that the government had left the main burden of providing mass transportation in Calcutta to private operators, and considered this an extremely undesirable state of affairs for a public service<sup>63</sup>. In 1981 the Transport Minister deplored in the West Bengal Legislative Assembly the excessive dependence on private buses.<sup>64</sup> In 1982 there were a total of 2660 private buses in the city and another 267 were proposed to be introduced by the minister<sup>65</sup>.

#### GOVERNMENT'S POLICY AND OPERATIONAL PERFORMANCE

This section discusses fixing of responsibility for the failure to fulfil the promise of nationalization of urban transportation in Calcutta. The present author contends that for this government's policy was more to blame than CSTC's poor operational performance,

<sup>60</sup>WBLAP, Vol. 44, 5467, pp. 735, 743, Vol. 45, No. 1, 28.6.67, p. 77.

<sup>61</sup>*The Statesman*, Calcutta, May, 3, 1977, "State Buses a Political Weapon".

<sup>62</sup>J.N. Talukdar, article in a Bengali daily, *Anandabazar Patrika*, Calcutta, September 14, 1977. Dr. B.C. Roy and the Nabagopal Das Commission were all praises for him. See WBLAP, Vol. 25, No. 2, 15.3.60, pp. 26-27, and *Das Commission Report*, paras, 2.01-2.08.

<sup>63</sup>*The Statesman*, Calcutta, May 3, 1977.

<sup>64</sup>*Amritabazar Patrika*, Calcutta, March 15, 1981.

<sup>65</sup>*Amritabazar Patrika*, Calcutta, June. 6. 1982.

since the latter was to a large extent a consequence of the former. The foregoing sections have dealt with the extreme incrementalism in government's transportation policy and the lack of synoptic thinking (for example on the question of profit earning). What is curious about Calcutta's transportation system is that at different times different components of it came under governmental ownership, but never the entire system. Up to 1967 bus service was a state monopoly, but tramways remained in private hands. Just the reverse happened after 1967. In 1968 government took over management of the Calcutta Tramways and acquired the undertaking in 1976. But from 1967 state monopoly of bus routes was brought to an end. As has been shown in the previous sections government's policy was wholly responsible for this. Competition with Calcutta Tramways up to 1967 and competition with private buses from 1948 to 1955 and since 1967 posed many problems for CSTC owing to "coexistence of two different styles of operation under the same set of regulations and fare structure"<sup>66</sup>.

Of course, it can be argued that government had no alternative to allowing private buses to ply on the streets of Calcutta in 1967, since the depleted fleet strength of the Corporation was utterly inadequate for Calcutta's transport needs. But the state government and the Central Government were more responsible than the Corporation for the erosion of the fleet strength. The Central Government's responsibility flowed from its stinginess in releasing the necessary foreign exchange for the purchase of chassis and spares.<sup>67</sup> The state government was to blame for the following reasons :

1. If scarcity of foreign exchange was the main problem then as a temporary measure the state government could take the decision of purchasing indigenously made buses. It should be remembered that private operators have plied them quite successfully. The Corporation, for its lack of autonomy, could not be expected to take any independent decision in this respect.
2. Even during periods when foreign exchange was not a problem the Corporation did not have sufficient resources to purchase buses as government did not provide the necessary capital, and as internal generation of resources on the part of the Corporation was impossible because of its low fare

<sup>66</sup>T.H. Thomas and K.S. Sengupta, *Part A of Travel and Public Transport in Calcutta*, Warwick University, England, Urban Transport Research Group (Mimeo), 1977, p. 17.

<sup>67</sup>WBLAP, Vol. 40, No. 2, 1.3.65, p. 106.



structure and its born indebtedness. The valuation of the assets which passed from the departmental undertaking over to the Corporation at the date of its formation was Rs. 5.7 crores. This initial capital was treated as a loan carrying 6 per cent interest per annum.<sup>68</sup>

3. Government's policy also stood in the way of buying buses from the Corporation's depreciation fund. At the time of the Corporation's formation its depreciation fund (worth Rs. 94.96 lakhs) was retained in deposit with the state government, instead of being released to the autonomous Corporation. By 1962-63 accumulations in the fund worth Rs. 226 lakhs remained with the state government, out of reach of the Corporation.<sup>69</sup> This coupled with non-availability of financial support from government led to steady deterioration of the fleet since replacement of overaged buses and acquisition of new buses became impossible. Thus whereas the number of *effective* vehicles in CSTC was 535 in 1960-61, it was only 578 in 1966-67 and went down to 525 in 1967-68, although there was a 51.5 per cent increase in the total fleet.<sup>70</sup>

Both as a departmental undertaking, and as a Corporation, Calcutta State Transport was visualized as the backbone of Calcutta's transportation system. Upto 1968 government did not have direct control over Calcutta Tramways, and the number of cars put on the road by the Company, and the number of passengers carried by them were declining every year.<sup>71</sup> Neither of the schemes of Circular Railway and Metro Railway had materialized. Thus government should have taken greater care about the growth of the fleet. Their negligence in this respect, however, is not confined to the post-incorporation period. After ten years of its life as a departmental undertaking, when government was in direct charge, only 525 buses were in active service under Calcutta State Transport,<sup>72</sup> and with this small fleet government was dreaming of monopolizing the bus routes of metropolitan Calcutta.

It has been indicated in the last section that renunciation of the

<sup>68</sup>*Report of the Commission of Enquiry, Bus, Tram and Taxi Fare Structures, Part III, Report on Stage Carriage Services (State and Private) in Calcutta (CMD Area), 24 Parganas and Howrah, The Calcutta Gazette Extraordinary, December 8, 1973, pp. 5-7.*

<sup>69</sup>*Ibid.*

<sup>70</sup>*Transport Statistics, 1960-61 to 1976-77, Central Statistical Section, CSTC, Calcutta, 1978, p. 17.*

<sup>71</sup>See Sisir Mitra, *op. cit.*, Table 6, after page 18.

<sup>72</sup>WBLAP, Vol. 20, No. 1, 14.6.58, p. 592.



goal of nationalization of transportation in Calcutta had some connection with electoral politics before the 4th General Elections. This suggests that interest group politics was at work. Some people have alleged that the reason why government had ignored the strident demands of 5000 tramway workers to "Scrap the lease and nationalize the British (Tramways) Company" in 1951, was its eagerness to protect the interests of Indian shareholders of the Company.<sup>73</sup> Many senior officials of CSTC too have been reported to complain that both before and after 1967 government's decisions had been influenced by a 'powerful lobby' of private operators and that government's refusal to help CSTC stemmed from the politicians' eagerness to protect the interests of private operators, who make handsome donations to the parties' funds in exchange of permits<sup>74</sup>. That CSTC itself could not function as an interest group to counter this politics could be due to the preponderance of government officials on the Corporation Board, and the lack of autonomy it shares with other road transport corporations under the Road Transport Corporations Act, 1950.<sup>75</sup> CSTC's management has not been able to address itself to the problem of consolidating CSTC's organizational capabilities and power to retain its position. One reason behind this failure is of course, CSTC's dismal financial and operational performance (which robbed it of any bargaining power with the government). From 1962-63 to 1966-67 CSTC incurred cumulative losses of Rs. 417.14 lakhs, its fleet utilization ratio dropped from 76.8 per cent to 62.4 per cent and per bus Km. (effective) dropped from 198 to 168<sup>76</sup>. Passengers' sufferings on account of gross overcrowding became insufferable. It would have been difficult for CSTC to silence the advocates of denationalization.

### CONCLUSION

The foregoing sections have shown that the points of interaction and interdigitation between the political system and the transportation subsystem, multiplied by the working of machine 'politics', may lead to politicization of transportation systems, exercise of political influence by these systems and the assertion by the state of a public interest in transportation. Since CSTC could not wield much political influence to retain its original position in government's scheme of things, assertion of a public interest in transportation became a pretext for displacing the basic goal of government's

<sup>73</sup>Sisir Mitra, *op. cit.*, pp. 174-75.

<sup>74</sup>*The Statesman*, Calcutta, May 3, 1977.

<sup>75</sup>See footnotes 33-34.

<sup>76</sup>*Transport Statistics*, pp. 11, 15, 16.

transportation policy. Politicization of the authority structure of the corporation was not necessary, as it was extremely permeable, thanks to the government bureaucrats who adorned the Corporation's Board. Government could pass off its own decision to denationalize some routes on the corporation without evoking a murmur of protest,<sup>77</sup> because these men would not have displeased their masters to uphold organizational interests. They were 'itinerants', not 'homeguards.'<sup>78</sup>



<sup>77</sup>See footnote 52.

<sup>78</sup>A distinction between 'itinerants', and 'homeguards' or 'cosmopolitans' and 'locals', that is between men who are rising within the hierarchy and men who are being deputed from outside, on the question of loyalty to the organization has been made by some sociologists. See A.W. Gouldner, "Cosmopolitans and Locals: Toward an Analysis of Latent Social Roles-1", *Administrative Science Quarterly* 2 (1957), pp. 281-306, and Robert W. Habenstein and Edwin A Christ, *Professionalizer, Traditionalizer and Utilizer*, Missouri, University, of Missouri Press, 1955, Chap. 6.

## *Property Taxation of the Nizam of Hyderabad: A Case Study*

P. ARJUN RAO

FINANCIAL MANAGEMENT of local bodies, among several dimensions of inter-governmental relations, has always been an interesting area to study. The finances of local bodies have always been meagre compared to the requirements to meet the demands of the citizen. Among the taxes, property taxes yield a substantial revenue. In India most of the taxes of local bodies either have been expropriated or tax spectrum has been restricted narrowly by the state governments. It has been a general trend in post-independent India to provide grants and loans in stead of independent sources of revenue for extraction by the local bodies. The reason advanced for this general hesitancy and inertia on the part of the state government to equip local bodies with adequate resources is by this time well known. Financial mismanagement, extravagance, irresponsible expenditure and partisan allocation have been cited as some of the most important causative factors which have hardened the attitude of the state political leadership as well as its top management bureaucracy. The state government, on the one hand, expropriates the local taxes for themselves while being highly critical of Union Government encroaching on their tax base; on the other hand, it accuses local governments for not taking initiative to augment their finances. The attitude of the state government towards local bodies sometimes is based on confrontation and some other times compromise and at other times cooperation. If the abolition of octroi<sup>1</sup> in Hyderabad Municipal Corporation could be cited as an issue of compromise, the abolition of Motor Vehicle<sup>2</sup> tax could be described as an expropria-

<sup>1</sup>P. Arjun Rao, *Leadership in a Corporation: A Study in the Dynamics of Policy Development And Executive Administration—With Special Reference to Hyderabad Municipal Corporation*, Osmania University, 1981. (unpublished Thesis).

<sup>2</sup>P. Arjun Rao, "Abolition of Motor Vehicle Tax: A Case Study of Hyderabad Municipal Corporation, *Nagarlok*, Vol. XIV, No. 1, Jan.-March, 1983, pp. 54-64.

tion by the state government and the property tax of Nizam could be explained as an issue of cooperation, though belated, and it is an interesting study pertaining to tax administration of the Hyderabad Municipal Corporation. The state government as well as Hyderabad Municipal Corporation could have had best of the legal expertise on the subject of 'Property Tax of Nizam' but both the governments could not make a public policy in a rational manner and as such the corporation had to incur a substantial 'income-loss' that could have yielded from taxing Nizam's property. The diplomatic immunity extended to the Nizam based on the agreement between the Nizam and the Union of India was exploded as a myth when the Supreme Court gave a judgement that the Nizam's income was taxable. The dynamic administrative leadership of the Commissioner in the year 1968 could bring the issue of Nizam's property tax to right track and thereafter the corporation derived a substantial income. The study of Nizam's property tax has interesting dimensions in the public policy-making in the context of inter-governmental relations. The study of Nizam's property tax is chronologically described. Various stages of decision-making in the public policy are coherently explained.

#### DECISION-MAKING PROCESS AT THE CORPORATION

There were certain large properties pertaining to the Nizam, ex-ruler of Hyderabad, whose property was not brought under the purview of the municipal property tax by the corporation. If the properties of the Nizam were assessed and taxed it could have brought nearly 2 to 3 lakhs to the corporation. But the corporation could not think in terms of assessing and taxing the said properties, perhaps, in view of the immunities enjoyed by the Nizam.

The issue of the property tax on houses of the Nizam has the historical background. The Nizam, as the ruler of the erstwhile Hyderabad State, was never subjected<sup>3</sup> to any taxation either land revenue, municipal or other taxes as it was understood that the monarch was exempted from taxes. But the Superintending Engineer and the Secretary, Hyderabad Municipality made a requisition<sup>4</sup> of tax on Sarfe Khas<sup>5</sup>, Paigas<sup>6</sup> and Estates<sup>7</sup> of Salar Jung and Peshkar. The then govern-

<sup>3</sup>Letter No.5/C3/68, Chief Secretary and Principal Adviser to the Nizam, King Kothi, Hyderabad, dated 30-5-1968.

<sup>4</sup>Letter No. 4061. The Superintending Engineer, Secretary, Hyderabad Municipality, dated 28th, Bahman, 1322-F.

<sup>5</sup>Sarfe Khas, An Administrative Branch to look after the properties of the Nizam.

<sup>6</sup>Property given to a noble in recognition of his services.

<sup>7</sup>The private property of nobles was called 'Estates'.

ment recalled the orders<sup>8</sup> passed by the Nizam to receive a sum of Rs. 15,000 in lieu of the tax on royal property and animals, out of the income of the local customs, duties of the city from the beginning of the year 1331-F. as an aid towards the expenses for carrying on the municipal administration and to this effect an order<sup>9</sup> was issued instructing the Secretary, Sarfe Khas to pay Rs. O.S.<sup>10</sup> Rs. 15,000. In view of the growing needs of the public and also the financial apathy faced by the corporation and request was made by the city government to the Nizam to enhance the aid from Rs. 15,000 to 50,000. The Nizam agreed to pay Rs. 50,000 annually subject to the following conditions:<sup>11</sup>

1. The municipality would officially agree that the Nizam was not liable to pay the taxes and that the proposed amount would be accepted as an aid to the municipality.
2. The revised amount will be paid from January 1950.
3. No arrears would be claimed for the period prior to January 1950.

The Commissioner acknowledged<sup>12</sup> his gratitude to the Nizam for having agreed to the enhancement from O.S. Rs. 15,000 to O.S. Rs. 50,000 and requested to release the amount. But the Commissioner did not specify in his letter to have agreed to the said conditions laid down by the Nizam.

In view of the growing needs and pressing demands from the citizen the corporation had to take up an extensive programme<sup>13</sup> of providing urinals, storm-water drains, street lights, drainage lines, markets and cement concrete roads in various localities of the city. As the financial position of the corporation was not satisfactory, the corporation had to think of augmenting its revenues to translate the said programmes into action. It was but natural for the corporation to divert its attention to the sources whereby it could get substantial

<sup>8</sup>Firman (King's Order).

<sup>9</sup>Letter No. 983, Office of the Madarul Mohan (Prime Minister of the Hyderabad State) dated June 6, 1332 P. Ad (1922) dated 23rd Jamidul Awal 1331 F (1921).

<sup>10</sup>O.S. (Sikke Osmania); indicates the name of the coin or currency note of the Nizams. Sikka means coin.

<sup>11</sup>Letter No. 902, the Chief Secretary and Financial Adviser of the Nizam addressed to the Commissioner, Hyderabad Municipal Corporation, dated 25-8-1952.

<sup>12</sup>D.O. Letter No. 542/P, the Commissioner, Municipal Corporation of Hyderabad, dated 30-8-1952.

<sup>13</sup>D.O. Letter No. 7/B3/CT/59, the Commissioner, The Municipal Corporation of Hyderabad, dated 23-2-1959.

revenue. And one such attempt was to seek more revenue from the properties of the Nizam. The Commissioner brought to the notice of the Nizam that O.S. Rs. 50,000 then paid as annual grant did not represent the actual tax on the properties<sup>14</sup>. Further, if a hypothetical assessment was made on the properties of the Nizam, the tax revenue would have been 2 lakhs of rupees annually. Even after the sale of a majority of the properties of the Nizam, the palaces and other remaining properties were assessed taking 6 per cent as rental value of the cost of the buildings or 5 per cent rental value of the cost of the lands, the property tax was nearly two lakhs of rupees. But considering the exemption from the taxes, the Commissioner requested the Nizam for 25 per cent enhancement of the existing grant. The Commissioner was satisfied<sup>15</sup> with the grant of I.G. Rs. 50,000 instead of O.S. Rs. 50,000. A request<sup>16</sup> was made by the Nizam that the grants should not be affected by the change in the rate of taxation in future. The Commissioner was under the impression that the Nizam was exempted from the payment of the municipal taxes and hence any increase in the rate of taxation would not affect the grant that was paid by him to the corporation.

#### *Committee of Inspection on Hyderabad Municipal Corporation*

The state government appointed 'One-Man Committee' headed by C. Narsimhan, I.A.S., to inspect the working of the Municipal Corporation of Hyderabad. The committee took into cognisance the financial position of the corporation and made certain recommendations to augment its finances. Among others, the committee made the recommendation<sup>17</sup> with regard to the tax on the Nizam's property that the corporation should request the Government of India through the state government to reimburse to the corporation, the taxes due on the properties of the Nizam on the analogy of the members of the foreign diplomatic missions at Madras. The following reasons were advanced by the Committee in support of the above recommendations:

1. Prior to the police action, the Nizam enjoyed the absolute immunity from municipal taxation. He was paying the corporation annually a sum of Rs. 15,000 (O.S.) with a view to helping the corporation to provide amenities to the citizens. This contribution was later

<sup>14</sup>D.O. Letter No. 7/B 3/CT/59, *op. cit.*

<sup>15</sup>*Ibid.*

<sup>16</sup>D.O. Letter No. 615/50/55/554, Financial Adviser to the Nizam, King Kothi, Hyderabad, dated 5-3-1959.

<sup>17</sup>Report of Inspection on the H.M.C. (B) Financial Administration, Government of Andhra Pradesh.

raised to (O.S.) Rs. 50,000 in 1952. It was understood that Sarf-e-Khas properties of the Nizam had been exempted from the municipal taxes, under the privileges granted to him by the Government of India.

2. Under the law these properties were not exempted from the municipal taxes. If the Central Government had granted him such exemption, it was appropriate that the same government reimburse to the corporation the taxes due on the said properties. And that the Government of India granted a similar exemption from municipal taxes to the members of the foreign diplomatic missions at Madras and it paid the Corporation of Madras the amount in lieu of the revenue forgone by it. The Hyderabad Municipal Corporation might take up the matter with the Government of India. As things stood, the corporation was taxing all the Sarf-e-Khas properties which the Nizam had sold out. There were still big palaces like the King Kothi<sup>18</sup> and Falaknuma<sup>19</sup> which could yield a substantial tax to the tune of Rs. 2 to 3 lakhs.

#### DECISION-MAKING PROCESS IN THE STATE GOVERNMENT

##### *Demand Articulations of the State Legislators and Members of the Parliament*

The Hyderabad Municipal Corporation examined the recommendations made by the One-Man Committee. It impressed upon the state government to request the Government of India to reimburse to the corporation the taxes due on the properties of the Nizam on the basis described earlier. The matter of the Nizam's property tax could not escape the sight of the representatives of the people of the state legislature. A member of the state legislature tabled a question to know as to how much property tax was being paid by the Nizam, the number of buildings he owned and the amount of the tax on the building remained unpaid by him. The Members of Parliament also wanted to know the information from the Government of India regarding the details of the private property settlement with the rulers of the former Indian states. On the request of the state government whether such information could be furnished to the state legislature, the Government of India opined<sup>20</sup> that though such a demand to disclose the inventory of the private property of ex-rulers was made in both the Houses very often, the Government of India declined to give any detail of such information in accordance with the broad policy. According to which the

<sup>18</sup>King Kothi, was the name of the palace where the Nizam lived.

<sup>19</sup>It is a palatial building where the Nizam used to hold his Darbar.

<sup>20</sup>Letter No. F. 1/7/58, Pol. III, Government of India, dated 24-5-1958.

ex-rulers and the Government of India entered into the agreement and also mentioned in the "White Paper on Indian States". The Government of India, therefore, advised<sup>21</sup> the state government of Andhra Pradesh, not to disclose to the state legislature the inventory of the property of the Nizam even though the public might be aware of the position in regard to most of the items of the said private property of the ex-ruler. The intention of the Government of India, acting in such a manner was, perhaps, to protect the former rulers from subjecting their properties to taxation. The State Government of Andhra Pradesh also followed the same line of thinking and did not disclose to the legislature the details of the properties owned by the Nizam and also about the property tax with regard to the said properties. Thus the corporation was made to lose a substantial income.

*Strange Executive Instruction by the State Government*

The state government, while examining the issue, opined that though the private properties of the Nizam might not be exempted from the payment of the property tax to the Hyderabad Municipal Corporation, yet, in view of the agreement<sup>22</sup> entered into by the Government of India with the former ruler of Hyderabad, the private properties of the Nizam of Hyderabad were not liable to the payment of property tax to the corporation. The Health, Housing and Municipal Administration Department of the Secretariat suggested<sup>23</sup> to the Minister that any decision on the recommendation made by the One-Man Committee be taken only after the opinion of the Government of India was made known. The Minister for Municipal Administration agreed<sup>24</sup> with the suggestion of the department. Accordingly, the state government issued executive instructions<sup>25</sup> to the corporation stating that the Government of India granted the exemption to Nizam from the payment of the taxes, the corporation could claim the amount of taxes so far foregone by it from the Government of India. Further, the state government requested<sup>26</sup> the Commissioner, to approach the Government of India through the state government to reimburse to the Municipal Corporation of Hyderabad, the amount foregone by it due to the privileges on the analogy of the exemption

<sup>21</sup>Letter No. F1/7/58, Pol. III, *op. cit.*

<sup>22</sup>Appendix I. (see p. 95)

<sup>23</sup>U.O. Note, Health, Housing and Municipal Administration (KI) Department, Government of Andhra Pradesh, dated 4-9-1960.

<sup>24</sup>*Ibid*, dated 16-12-1960.

<sup>25</sup>G.O. Ms. No. 606, Health, Housing And Municipal Administration. Government of Andhra Pradesh, dated 10-5-1962.

<sup>26</sup>*Ibid*.



granted to the members of the diplomatic missions from paying the municipal taxes at Madras. It was strange that the state government could treat the members of the diplomatic missions and the Nizam on the same line though both differ in their character and nature.

*Property Assessment Efforts by Hyderabad Municipal Corporation*

The decision of the state government advising the corporation to approach the Government of India for the reimbursement of the amount foregone by it due to the privileges enjoyed by the Nizam, made the corporation to explore the value of the properties of the Nizam. As the state government itself opined that the Nizam was exempted from paying the taxes, under the privileges granted to him, the corporation thought, perhaps, appropriate to approach the Sarf-e-Khas authorities of the Nizam, through the state government for the purpose of assessment. In other words, the corporation wanted the higher-level government to issue instructions to the Sarf-e-Khas authorities to allow the staff of the corporation to survey and assess the properties of the Nizam. As the matter pertained to a property which involved two higher-level governments, viz., state government and also the Government of India, in the decision-making process, the corporation had taken a stand to request the state government to instruct the authorities of the Sarf-e-Khas to allow the staff of the corporation to complete the said job. Accordingly, the state government issued instructions<sup>27</sup> to the authorities of the Sarf-e-Khas to allow the staff of the corporation to survey and assess the properties of the Nizam. And, while doing so, it made<sup>28</sup> its intention clear to the Nizam that it was not the intention of either the state government or the corporation to collect municipal taxes on the properties of the Nizam, but the idea of the corporation was to approach the Government of India for the reimbursement of the amount of taxes foregone by the corporation. The Assessor and Collector requested<sup>29</sup> the Nizam to instruct his concerned officers to allow the staff of the corporation to survey and prepare plans of his properties for assessment of the taxes so as to claim the same from the Government of India. The Financial Adviser of the Nizam maintained that the matter of survey and assessment of the property of the Nizam was connected with the grant-in-aid given by the Nizam. The staff of the corporation were not allowed to enter into the buildings of the

<sup>27</sup>Letter No. 1668/K1/62-12, M.A., Government of Andhra Pradesh, dated 6-11-1962.

<sup>28</sup>Letter No. 56-K1/63-4, M.A., Government of Andhra Pradesh, dated 15-3-1963.

<sup>29</sup>Letter No. 4163/B1/Ct/62, The Assessor & Collector, Municipal Corporation of Hyderabad, dated 16-1-1963.

Nizam to assess the value of the property. The corporation had to assess the value of the properties of the Nizam basing on the information given by its office. The corporation, through the state government, represented<sup>30</sup> the matter of the reimbursement of the income of Rs. 42,79,634 due from the Nizam on his properties from the Government of India. The amount claimed by the corporation was based on hypothetical calculation for the period of 16 years, *i.e.*, from 1950 to 1966. The Ministry of Home Affairs, Government of India, examined the issue and communicated its decision to the state government.

#### DECISION-MAKING PROCESS IN THE CENTRAL GOVERNMENT

The Ministry of Home Affairs, Government of India, while examining the property tax of the Nizam summed up the whole issue as follows:

The state government and the municipal corporation requested the Government of India pleading that the Nizam was exempted from the payment of the house tax. In this connection it was brought to the notice of the state government about the memorandum relating to the personal privileges guaranteed to the rulers of the Indian States that the Government of India wanted the state governments should, as far as possible, continue the previous practice and exempt the main residential palaces of the rulers from the house tax. It appeared that the state government also was in near agreement with the idea of exemption in favour of the former ruler. Further, it was brought to the notice of the Government of India that the municipal corporation had been accepting Rs. 50,000 per annum from the Nizam although this payment was requested to be treated as *ex-gratia*. It was obvious that the payment was towards the house tax only. Further, it was also brought to the notice of the Government of India that the Commissioner gave no assurance<sup>31</sup> to the Nizam that he was exempted from the payment of the municipal taxes and any future increase in the rate of the taxation would not affect the grant of Rs. 50,000 per annum paid to the corporation by the ex-ruler. As such the payment made by the ex-ruler had to be viewed as something in the nature of the tax liability towards the properties of the Nizam. The Ministry of Home Affairs further maintained that it could not understand the basis for the assumption that the Municipal Corporation of Hyderabad sustained a loss to the extent of about Rs. 42,79,634. The question of loss, it was stated, would arise only if the corporation

<sup>30</sup>Letter No. 2512/K1/64-25, M.A., Government of Andhra Pradesh, dated 29-10-1966.

<sup>31</sup>D.O. Letter No. 542/P, The Commissioner, Municipal Corporation of Haderabad, dated 30-8-1952.

was entitled to the amount and was deprived of it. Since the corporation was accepting a liquidated sum towards the taxes, there could not be any loss to the corporation. Further, a liability to pay a tax would arise only on assessment and demand made in accordance with the prescribed procedure and it was not a matter of mere calculation of what would have been paid had the assessment been made. It appeared that no such assessment was made because the corporation had been accepting an agreed lump-sum all along from the Nizam towards the said tax. It might be assumed, therefore, that no liability for the payment of taxes also arose. The Ministry of Home Affairs further observed that on account of the rights and privileges guaranteed to the former ruler, the cost of the concessions arising in such cases should be borne by the concerned state government as the successor government to the former Government of Hyderabad. It appears illogical to request the Government of India to pay the property tax on behalf of the Nizam as it guaranteed the rights and privileges to him. The Government of India could not accept any liability for the reimbursement or the expenditure incurred by any state government in this regard. In conclusion it stated that the Government of India regretted its inability to concede<sup>32</sup> to the request of the state government to pay the tax dues payable by the Nizam. The corporation was not contended with the development and could not give up the claim and its Statutory Committee opened the issue again. The Standing Committee passed a unanimous resolution<sup>33</sup> on the following lines:

1. That the Standing Committee superseded its two previous resolutions;<sup>34</sup>
2. That the tax exemptions on the ex-ruler's residential palaces were allowed as per the decision<sup>35</sup> of the Government of India;
3. That all the rest of the palaces and buildings be assessed within three months from the date of passing this resolution;
4. That the progress of the implementation of the resolution be

<sup>32</sup>Letter No. 1/8/65—Pol. III, Ministry of Home Affairs, Government of India, dated 22-2-1967.

<sup>33</sup>Resolution No. 365; The Standing Committee, Municipal Corporation of Hyderabad, dated 23-1-1968.

<sup>34</sup>(a) Resolution No. 546; The Standing Committee, Municipal Corporation of Hyderabad, dated 12-11-1958.

(b) Resolution No. 707; The Standing Committee, Municipal Corporation of Hyderabad, dated 21-2-1959.

<sup>35</sup>Letter No. F. 1/7/58, Pol. III, Government of India, dated 24-5-1958.

reported every week to the Standing Committee as an extra item.<sup>36</sup>

The Assistant Assessors and Collectors in accordance with the decision of the Standing Committee, issued notices<sup>37</sup> to the Nizam on his immovable properties, i.e., palaces and buildings. The Nizam was requested to instruct his officers to keep all the palaces open for inspection on October 26, 1968 and after which the case would be examined on October 29, 1968. But the palaces were not kept open for the assessment advancing the following reasons :

1. The time given was short.
2. It was difficult to vacate the Zanana<sup>38</sup> from the buildings in such a short period.

Further, the Secretary to the Nizam made a representation<sup>39</sup> to the Commissioner through the legal representative explaining all the previous decisions and agreements arrived at between the Nizam and the state and central governments on the following lines :

1. There had been no proper delegation of powers by the Commissioner to the Assistant Assessors and Collectors as the said officers were empowered to issue notices in respect of properties whose rateable value did not exceed Rs. 2,500. But whereas the properties of the Nizam exceeded Rs. 25,000. It was also pointed out that the delegation of powers made by the previous Commissioners did not hold good because such delegation was made in the name of the then Commissioner. In other words, it was implied that the delegation was treated as personal to the person holding the job. It meant that whenever there was any change in the office of the Commissioner a fresh delegation should have been made *de novo*.
2. The second point raised by the legal representative of the

<sup>36</sup>An item that was brought to the Standing Committee without including in the regular agenda, but stood always as a regular issue till it was over finally.

<sup>37</sup>(a) Section 220; The Hyderabad Municipal Corporation Act, 1955.

(b) Letter No. 157, Office of the Commissioner, Municipal Corporation of Hyderabad, dated 26-10-1968

<sup>38</sup>Zanana—It is a Urdu word referring to the ladies. The ladies observed 'purda'. So they were to be shifted somewhere for the purpose of inspection and assessment.

<sup>39</sup>The letter No. 2902, Office of the Chief Secretary and Principal Adviser to the Nizam, King Kothi, Hyderabad, dated 24-10-1968.

Nizam was that the matter was referred<sup>40</sup> to the state and the central governments. The Government of India did not direct the Commissioner to assess the properties in question and hence the Commissioner should not proceed to assess the properties of the Nizam.

3. The Commissioner was bound by the two earlier resolutions<sup>41</sup> of the Standing Committee and also a letter<sup>42</sup> of the Commissioner to accept Rs. 50,000 all these years from the Nizam as grant-in-aid in lieu of the property tax. And the Standing Committee could not pass the resolution<sup>43</sup> unilaterally annulling all its previous resolutions.
4. The Nizam was exempted from taxation by virtue of the privileges guaranteed to him as per the agreement entered into between him and the Government of India at the time of merger of the State of Hyderabad with the Union of India.

The Commissioner exercising his quasi-judicial authority overruled<sup>44</sup> all the objections raised by the Nizam as narrated below.

The notices by the Assistant Assessors and Collectors on the properties of the Nizam were issued at the instance of the present Commissioner himself and not by virtue of the delegated powers to them. The notices served by the Assessors and Collectors were quite in order and in accordance with the provisions<sup>45</sup> of the Act. As regards the contention that there should be delegations *de novo* every time whenever there was a change in the office of the Commissioner, the Commissioner pointed out that the powers were not personal to any particular Commissioner. The powers conferred by the HMC Act, 1955, go with the post of the Commissioner. This statement of the Commissioner is quite in consonance with the opinion of the Mary Parker Follet that the authority belongs to the job. As per the provisions<sup>46</sup> of the Act, the Commissioner might empower any

<sup>40</sup>Letter No. 5/CS/68, Office of the Chief Secretary and Principal Adviser to the Nizam, King Kothi, Hyderabad, dated 30-5-1968.

<sup>41</sup>(a) Resolution No. 365, Standing Committee, Municipal Corporation of Hyderabad, dated 30-8-1952.

(b) Resolution No. 707, The Standing Committee, Municipal Corporation of Hyderabad, dated 26-10-1968.

<sup>42</sup>D.O. Letter No. 542/P, The Commissioner, Municipal Corporation of Hyderabad, dated 30-8-1952.

<sup>43</sup>Resolution No. 365, Standing Committee, Municipal Corporation of Hyderabad, dated 22-2-1967.

<sup>44</sup>Order issued by the Commissioner on the appeal by the Nizam through the Legal Representative of the orders of the property tax, dated 4-11-1968.

<sup>45</sup>Sections 220 and 684 of the Hyderabad Municipal Corporation Act, 1955.

<sup>46</sup>Sections 4 and 119, The Hyderabad Municipal Corporation Act, 1955.

municipal officer to exercise any power, discharge any function vested in the Commissioner subject to such control or revision as the Commissioner might think fit. As per the provisions<sup>47</sup> of the Act, there was no need to issue fresh authorisation every time whenever there was a change in the office of the Commissioner. Thus the delegation made by the previous Commissioners were valid and would hold good till such delegation of authorities withdrawn or modified by the present Commissioner. The Commissioner further maintained that neither the state government nor the central government had any powers under the Hyderabad Municipal Corporation Act to give any directions to the Commissioner to assess or not to assess the properties of any person. As a quasi-judicial authority vested with adequate powers under the Hyderabad Municipal Corporation Act to assess the properties in question, the Commissioner could not take notice of any aspect such as what had transpired between the assessee, *i.e.*, the Nizam and the state government or central government. The Commissioner while ignoring all that observed that the Standing Committee was competent to cancel all its previous resolutions at a later stage. The Commissioner was competent to exempt,<sup>48</sup> with the approval of the Standing Committee, any premises from the property tax. The Commissioner was also competent to cancel<sup>49</sup> any existing exemption. The Commissioner was the competent authority to ignore the exemption enjoyed by the Nizam and his properties. As such, the Nizam was no longer eligible for any exemption from property taxes as per the provisions of the HMC Act. The Commissioner further maintained that the issue raised by the legal representative that the Nizam was exempted from taxation by virtue of the privileges guaranteed to him as per the agreement entered into between him and the Government of India at the time of merger of the State with the Union of India, had no force as it was settled<sup>50</sup> by the Supreme Court on the issue of Income Tax between the Commissioner of Income Tax, Andhra Pradesh vs. the Nizam. The Supreme Court held that the privileges did not extend to the extent of permanent exemption from all taxation on his income and that he was bound by taxation laws as any other citizen of India. The Commissioner was of the opinion<sup>51</sup> that when the Nizam was not having any constitutional exemption from the income tax, it followed that he could not also claim any exemption from local taxes such as the property tax.

<sup>47</sup>Section 119, The Hyderabad Municipal Corporation Act, 1955.

<sup>48</sup>Section 225 (1), (f), The Hyderabad Municipal Corporation Act, 1955.

<sup>49</sup>*Ibid.*

<sup>50</sup>A.I.R., Supreme Court, 26-10-1966, p. 1260.

<sup>51</sup>Order of the Commissioner, Municipal Corporation of Hyderabad, dated 4-11-1968.

Thereafter the Commissioner issued orders to assess the property of the Nizam on the basis of net annual rental value. Accordingly, the properties of the Nizam were assessed and he was requested to pay the tax from April 1, 1968. The Nizam appealed to the Government of India and also to the state government to direct the municipal corporation to stay its orders from the assessment and levy of the tax on the properties of the Nizam on the grounds of the privileges guaranteed to him at the time of the merger of the Hyderabad State with the Union of India. The Government of India sought<sup>52</sup> the view of the state government on the issue. The Commissioner conveyed<sup>53</sup> to the state government the brief background of the case including his orders passed on November 4, 1968 and also the judgement of the Supreme Court pertaining to the income tax and its analogy applicable to the property tax. The Commissioner maintained that the corporation could not find any reason for staying further action in the matter of levy and collection of the tax pending the decision from the Government of India. The proceedings for assessment of the property tax were quasi-judicial in nature and the assessee was being given all reasonable opportunities to represent his case and each case would be decided on its merits.

#### DECISION-MAKING PROCESS AT THE STATE GOVERNMENT

The Commissioner conveyed the reasons to the Nizam and the state government rejecting the request of the latter to refrain from the action to levy the tax on his properties. There is a provision<sup>54</sup> in the Act for the aggrieved to approach the state government for redressal. The Nizam filed a revision petition<sup>55</sup> to the state government against the orders of the Commissioner. The revision petition stated the same contentions as were mentioned in the representation made to the Commissioner, the state and central governments earlier and requested the state government to stay the operations of the orders of the Commissioner pending the final decision. The Health, Housing and Municipal Administration Department examined the case in detail and made the following observations :

##### 1. Article III<sup>56</sup> of the agreement entered into between the Govern-

<sup>52</sup>Letter No. FI/9/68, Pol.-41, Ministry of Home Affairs, Government of India, dated 15-6-1968.

<sup>53</sup>Letter addressed to the Joint Secretary to the Government of Andhra Pradesh, Health, Housing and Municipal Administration Department, dated 7-10-1968.

<sup>54</sup>Section 282, The Hyderabad Municipal Corporation Act, 1955.

<sup>55</sup>The Revision petition No. 2299, Secretary to the Nizam, dated 11-11-1968 under Section 679 (1).

<sup>56</sup>Appendix I. (See p. 95).

ment of India and the Nizam gave certain personal privileges. But the point for consideration was whether the privileges included the exemption from the payment of the property tax.

2. The contention of the Nizam that he was exempted from the property tax was not tenable as the record, *i.e.*, the *Firman*<sup>57</sup> issued on 23rd Jamadalawal of 1333 F\*, did not give any information that neither the Nizam nor his relatives were exempted from the payment of the property tax. The property of the nobles and others was assessed and tax was collected from them. But in respect of Nizam Rs. 15,000 were paid in lieu of the property tax.
3. The state government as per the Act, had no authority to act as appellant and issue a stay order restraining the Commissioner from the assessment of the properties of the Nizam.
4. It might take a considerable time to decide the issue and meanwhile the petitioner felt that the Commissioner might take steps to assess the property and it was suggested to grant the stay restraining the Commissioner from doing so.
5. It was felt that the Law Department should also examine the issue.

The Law Department observed that the state government had the power<sup>58</sup> to revise the order as per the Act but that power was discretionary and it was not binding on the state government either to call for the records of the case from the Commissioner and review the case. The revision petition of the Nizam was broadly based on the following factors :

1. Under a solemn agreement entered into between the Corporation and the Nizam, a sum of Rs. 50,000 per annum was payable as grant-in-aid to the Corporation in lieu of the property tax.
2. The Nizam was exempted from the payment of taxes under an agreement entered into by the Nizam with the Government of India in 1950.

The Law Department opined that there was no agreement entered into between the Nizam and the corporation about exemption of the tax on the properties of the Nizam. In the absence of any such agreement the contention of the Nizam was not tenable. The second

<sup>57</sup>Executive Instruction issued by the Nizam was called 'Firman' which means an order.

\*Month and calendar year followed by the Asifjahi dynasty.

<sup>58</sup>Section 679 (I), The Hyderabad Municipal Corporation Act, 1955.



reason for the exemption of the tax advanced by the Nizam was of the agreement entered into between the Government of India and the Nizam. The Supreme Court considered the aspect of taxation in a case filed by the Income Tax Department<sup>59</sup> against the Nizam. The Supreme Court did not uphold the contention of the Nizam that he need not pay the income tax in view of the privileges guaranteed to him under the said agreement. In view of the said decision of the Supreme Court, the Commissioner observed that the contention of the Nizam that he was immune from the taxation of his properties under the covenant could not be accepted. The Law Department stated that there was no case for the state government to interfere with the orders passed by the Commissioner for assessing the private properties of the Nizam. Even assuming that the resolution passed by the Standing Committee in 1952 agreeing only to receive Rs. 50,000 from the Nizam towards the property tax amounted to an agreement, it would not bind the Corporation to such agreement as the powers of taxation were regulated by the provisions of the Hyderabad Municipal Corporation Act, 1956. And powers conferred by the Act must be exercised in accordance with its provisions. The Act conferred no authority on the Corporation to forego the tax accruing to the Corporation on the properties of the Nizam. Any agreement or an undertaking not to tax the properties of the Nizam would be invalid and there could be no estoppel against the statute. The other aspect considered was Article III of the agreement dated January 25, 1950 entered into between the assessee and the Government of India providing immunity from taxation. The said article of the agreement stated that the Nizam of Hyderabad and the members of his family should be entitled to all the personal privileges, dignities and titles enjoyed by them whether within or outside the territories of the state immediately before August 15, 1947. The Law Department cited two legal cases as examples,<sup>60</sup> one pertaining to the personal properties belonging to the former ruler of Khairagarh (one of the former princely State of Bihar) which were sought to be acquired and the other about the ruler of the State of Sonapur when his private properties were assessed for income tax by the state of Orissa. In the former case the Supreme Court held that the guarantees were confined to personal rights, privileges and dignities of the ex-ruler. It did not extend to personal property which was different from the personal rights. Further the article of the agreement in question did not import any legal obligation but was an assurance only. All that

<sup>59</sup>A.I.R., Supreme Court, 1966, p. 1260.

<sup>60</sup>(a) A.I.R., Supreme Court of India, 1952, p. 306.

(b) A.I.R., Supreme Court of India, 1961, pp. 196 and 198.

the covenant did was to recognise the title of the ruler as the owner of certain properties. And in no circumstances it implied that those properties acquired on the payment of compensation clearly recognised the title just as the titles of other properties. As regards the second case, the appellant contends that the ex-ruler of the State of Sonepur was immune from taxation in respect of his private property both within and outside his erstwhile territory as per the agreement entered into between him and the Government of India. The agreement guaranteed all his personal rights, privileges, dignities and titles enjoyed. But the Supreme Court held that the guarantees did not extend to his personal properties. Further the claim for the exemption from the payment of Income Tax by the Nizam of Hyderabad based upon the same covenant was also negated<sup>61</sup> by the Supreme Court. In view of the decisions of the Supreme Court, the Law Secretary of Andhra Pradesh opined that the petitioner's claim for exemption from the payment of the property tax under the Hyderabad Municipal Corporation Act 1955, was not tenable. The question of giving a stay also did not arise. The petition might, therefore, be rejected.

The Health, Housing and Municipal Administration Department in the light of the opinion rendered by the Law Department advised the state government to reject the request for the stay order restraining the Commissioner from the levy and assessment of the properties of the Nizam. The opinion was endorsed<sup>62</sup> by the top management of the state bureaucracy, *i.e.*, Chief Secretary, the Special Secretary and also the political leadership, *i.e.*, the Minister for Municipal Administration and also the Chief Minister. Accordingly, the state government issued an executive instruction<sup>63</sup> declaring non-interference in the said matter and rejected the revision petition and also the stay orders. The Government of India was also informed<sup>64</sup> about the said decision of the state government.

### CONCLUSIONS

The local bodies instead of being much critical about the state government's indifference towards its finances, shall have to seriously think of augmenting their finances. The issue of the Nizam's property

<sup>61</sup>U.O. Note 20 ISP/69-1, Law Department, Government of Andhra Pradesh, dated 12-2-1969.

<sup>62</sup>Health, Housing and Municipal Administration (KI) Department, Government of Andhra Pradesh, dated 28-2-1969.

<sup>63</sup>G.O. Ms. No. 197, M.A., Government of Andhra Pradesh, dated 4-3-1969.

<sup>64</sup>Letter No. 2226/KI/68-12, M.A., Government of Andhra Pradesh, dated 12-3-1969.

tax vividly illustrates the lethargy of the political and administrative leadership of the corporation in realising the tax. The Hyderabad Municipal Corporation had to follow the footsteps of the Income-Tax department to decide the issue. It could have decided the issue by going to the court of law earlier. It could afford to take best of the legal advice on this issue. And then the Corporation could not have suffered the loss. Further, the local bodies shall have to abandon the attitude of heavy dependence on the state governments for everything. No one could have prevented the Corporation from approaching the court of law in the matter of the Nizam's property tax. The primary aspect in this issue was that the Corporation toed the line of the state and central governments for a long time with regard to diplomatic immunity enjoyed by the Nizam. It should be noted that the Nizam was an Indian citizen and hence there could be no diplomatic immunity extended to him. The local bodies must be alert to protect their interests in a democracy.

**Appendix I**

**ARTICLE III OF THE AGREEMENT BETWEEN THE UNION  
OF INDIA AND THE NIZAM**

‘H.E.H. and the members of his family shall be entitled to all the personal privileges, dignities and titles enjoyed by them either within or outside the territories of the State immediately before 15-8-1947.’ ☐

## Book Review

Seventh Lok Sabha, Estimates Committee (1984-85), *Eighty-fifth Report : Ministry of Works and Housing, Delhi Development Authority—Part I*. New Delhi, Lok Sabha Secretariat, May, 1984, pp. 38, Rs. 1.95;

Seventh Lok Sabha, Estimates Committee (1984-85), *Eighty-seventh Report : Ministry of Works and Housing, Delhi Development Authority—Part II* (Mimeo.), New Delhi, Lok Sabha Secretariat, August, 1984, pp. 104.

The Master Plan for Delhi (1961-81) is said to be the precursor of urban planning in India for, it was only after the formulation of this plan in the late fifties that about 700 odd Master Plans came into being by the end of sixties. After the Delhi Plan was put to implementation it soon came to acquire the status of being the first plan to have strong policy support in the form of a 'progressive' urban land policy for the acquisition, development and disposal of about 62,000 acres of virgin land funded through revolving of the seed capital created especially for this purpose. A new organisation was also created for channelising the massive growth envisaged under the Master Plan. As the implementation proceeded and land for various uses was developed by the Delhi Development Authority (DDA) by revolving the seed capital, the implementation process and the organisational frame was said to be a 'model' to be replicated elsewhere in the various states. However, tardy pace of land development resulting in coming up of a chain of unauthorised colonies, aberrations in implementation of the urban land policy leading to manifold increase in the land value and a larger share of land going to the affluent, widening gulf between the haves and the have-nots with respect to accessibility of services, increasing overcrowding and congestion in the core of the city—the walled city of Shahjahanabad—owing to its total neglect in the framework of plan implementation, though were brought to light by the discerning observers of Delhi's development, academics and even by the official committees (two Expert Committee reports submitted in 1974 and 1978), and by the review of the plan by the Town and Country Planning Organisation (in 1973), it could not have any impact in convincing the official

thinking on Delhi's development. It was still being pleaded to replicate the Delhi 'model' in other cities and towns.

The bureaucratic view of Delhi's development notwithstanding, aberrations in plan implementation attracted the attention of the Estimates Committee (Seventh Lok Sabha) which in its reports under review have examined various facets of implementation of the Master Plan for Delhi. This has been done on the basis of memoranda submitted to the Committee by a number of official and non-official organisations, information furnished by the DDA, the Union Ministry of Works and Housing and the evidence given by the officials of the ministry and the DDA and also by two of the ex-vice-chairmen of the DDA. Though the report is in two parts, a lot of commonality exists in the type of subjects forming part of these two reports. Together, these two reports contain the subjects like: (1) Role and Functions of the DDA (part I); (2) Development of Land; (3) Housing; and (4) Irregularities and Malpractices (part II). It would be, therefore, apt to examine the observations of the Estimates Committee (EC) specifically on these subjects.

#### *Role and Function of the DDA*

The DDA happens to be the nodal agency for effectuating the objectives of the Master Plan. It derives its role from the: (a) Delhi Development Act, 1957; and (b) the Work Studies Relating to the Preparation of the Master Plan. The Act gave it a very wide and hence a vaguely termed mandate for promoting and securing development of Delhi 'according to the plan'. However, the import of this wide power coupled with the organisational framework envisaged by the Work Studies meant that the DDA was basically expected to oversee implementation of the Master Plan by various action agencies, coordinate their operations and bring to the notice of the central government any lapse on the part of the multiple action agencies for correcting any deviation whatsoever. Besides, it was also assigned the role of developing land as one of the action agencies and enforcing the zoning regulations.

The memoranda as also the evidences given by the non-officials impressed upon the EC that the role so assigned to the DDA was conveniently forgotten by it and over the years it assumed new functions and responsibilities like housing, slum clearance and improvements (previously being undertaken by the Municipal Corporation of Delhi), construction of Inter-state Bus Terminal and its management, running of lotteries, etc. Its primary function thus got diluted. This adversely affected coordination of the multiple action agencies for an integrated provision of services and amenities and in achieving the various physical targets envisaged by the Plan.

To quote from the Report:

The Committee are of the firm view that Delhi Development Authority has been burdened with a variety of functions so much that it has lost its direction and sense of priorities. It has also become unwieldy in size posing problems of management and administration. The Committee, therefore, feel that a fresh look is necessary on the role and functions at present being discharged by the DDA. They are of the opinion that some of the functions such as housing and slum improvement/clearance could conveniently and beneficially be taken away from the DDA and entrusted to separate bodies. In this context the Committee would suggest the setting up of a Housing Board and a Slum Improvement/Clearance Board for Delhi on the pattern of those existing in Bombay to take over from the DDA the respective functions. The Committee would like the Ministry of Works and Housing to seriously consider this matter and inform the Committee of the decision taken (Part I, Para 33).

Delhi lottery is recommended to be transferred to the Delhi Tourism Development Corporation. In order to promote integrated provision of services, the EC stresses the "need for close coordination between the DDA and other authorities for providing civic amenities in the colonies being developed by DDA...Some of the residential plots allotted by the DDA in outlying areas are not being built up precisely for lack of these facilities" (Part I, Para 71).

In spite of pleadings of the Ministry of Works and Housing including its Secretary and the Vice-chairman of the DDA, the EC strongly feels that the DDA should shed some of its functions so that it could devote its energies and resources for proper development of Delhi according to the plan. Regarding the lack of coordination which has so far marred the development of Delhi, the EC simply goes to stress the need for close coordination between the DDA and other authorities responsible for providing civic amenities in the colonies being developed by the DDA.

One would not disagree with the view of the EC regarding the pruning of the DDA's functions. However, its views and observations on securing a coordinated development of Delhi seem to be based on too simplistic a view of the politico-administrative situation obtaining in the Union Territory of Delhi. In a multi-agency situation, there has to be some formal mechanism which could convert the objectives of the long-range Master Plan into meaningful and operative goal oriented action programmes and could coordinate the operations and also the budgets (finances) of the action agencies

involved in implementation of the plan. Such a coordinating mechanism has essentially to be located at a level from where it could ensure responsibility accounting on part of all the action agencies including the central ministries. Any attempt to vest the DDA or even the Lt. Governor of Union Territory with powers to promote coordination is not expected to materialise. Involvement of various central ministries in Delhi's development makes it difficult even for the L.G. to impose responsibility accounting on part of the central ministries. Even the civic authorities in Delhi deal directly with the Government of India. Yet another constraint in the Delhi situation is the fact that the DDA is functioning outside the plan framework for resource allocation purposes. This poses the problem of integrating the DDA's Plan with normal plan schemes within the Union Territory.

The EC should have, therefore, taken these distinct features of the existing politico-administrative set-up of Delhi and constraints for setting up a formal coordinating machinery at the Union Territory level. In such a situation the wayout lies in locating it in one of the central ministries, preferably in the Ministry of Works and Housing, as a department of Delhi's development.

#### *Development of Land*

The Master Plan had envisaged the development of about 62,000 acres of virgin land during its 20 years of life span for various uses. More specifically, it envisaged to develop additional areas of 30,000 acres for residential use, 4,800 acres for industrial use, 1,900 acres for commercial use, 500 acres for government offices and 25,000 acres for parks and open spaces. In order to facilitate the development of land in ample quantity, vast chunk of agricultural land was frozen from private development. An area of 50,070 acres had been notified for acquisition even before the final approval of the Master Plan.

Against this target, what was the total quantity of land developed in the 20 years period of the Master Plan? Though the EC gives an account of this in both the parts of its report, one, however, does not get any clear picture of actual land developed by all the agencies. The confusion is worst confounded by the table reproduced from the report on next page.

With this sort of a Table, the analysis given in the report says "the DDA's achievement in regard to the development of land assigned to it has been 75 per cent in the case of land for residential purposes and 50 per cent of that earmarked for industrial purposes" (Part I, Para 12). The report further says that "the Committee are not aware of the DDA's achievements in regard to development of land for commercial and horticulture purposes, overall shortfall in these two areas have been to the tune of 76 and 71 per cent" (Part II, para 1.35). A closer



TABLE DEVELOPMENT OF LAND

<i>Land Use</i>	<i>Total area to be deve- loped</i>	<i>DDA's share for develop- ment</i>	<i>Total area developed by all agencies</i>	<i>Over all shortfall (%)</i>	<i>DDA's achieve- ment (%)</i>
Residential	30,000	22,330	16,238	45.87	75
Industrial	4,800	2,700	2,148.51	55.13	56
Commercial	1,900	8,600	442.29	76.72	—
Horticulture	25,000	7,230	7,109.00	71.56	—

look at the table would reveal that 75 per cent of the residential land developed refers to 22,330 acres which constitutes 75 per cent of the total area to be developed (col. 1). This happens to be the DDA's share only. The total area developed by 'all agencies' together is mentioned to be only 16,238 acres which is much less than the DDA's share.

The total land developed for various land uses is thus still under a haze. The EC in spite of all its privileges could not collect the information regarding the total land acquired and developed for various uses. An objective account of these could have provided an authenticity to the data. It is worth mentioning that presently data regarding the land developed by all the agencies (including CPWD, MCD, etc.) are completely lacking and the available information on the land developed by the DDA varies from source to source. The EC has also not been able to give a perceptible account of land developed by the DDA itself. To give an illustration, the total land developed by it (22,330 acres) includes 7,230 acres of land developed for the relocation colonies. Shortfall in the development of land would in fact be more because of the fact that a substantial proportion of land developed for the resettlement of squatters is located outside the Master Plan urban limit of 1981.

#### *Distribution of Land and the Land Values*

Containing the rise in land values and an equitable distribution of the developed land happened to be the major plank of the urban land policy in Delhi. It is in respect of these that the observations of the EC are objective and the indictment of the DDA forthright and in unambiguous terms. To quote from the report:

Apart from slow development of land, the methodologies adopted in disposal of land have contributed fully towards phenomenal price rise that land value has seen in three years. Upto 30th September, 1983, 9849 plots above 200 square yards measuring over 619 acres of land, which forms quite a big chunk of the

developed land have been put to auction as a conscious decision. This single action violated the basic policy enunciated in this regard. DDA followed the methods of the erstwhile colonisers, whose speculative activities they were required to put an end to. Plots were deliberately released in smaller numbers at a time to fetch higher and still higher prices. This led to shooting up of prices. (Part II, para 2.46).

The EC gives details of the extent of rise in land values in different localities over the years. This has been primarily due to the inclusion of several additional charges into the predetermined price of land rather arbitrarily and unauthorisedly. In the opinion of the EC *"most of these charges are unjustified and unauthorised, arbitrary, excessive, smacking of profiteering, and in violation of enunciated policy tantamounting to looting the public"*. In order to get rid of such a situation, the EC strongly recommends that the policies adopted by the DDA in disposal of land should be re-examined by an outside body of experts.

The rise in land prices has been justified by the official viewpoints on the ground that the higher price charged from the high income groups has been used to subsidise the land allotted to the EWS and the LIG. It is worth mentioning in this regard that the development of land and its disposal has been funded by the Revolving Fund (RF.) The additionalities included in the pricing of land for various categories are already in the nature of return on investment and hence there is not any single element of subsidy. Secondly, the much talked about relocation of squatters in Delhi are funded through a very liberal plan grant by the Planning Commission and not from the RF. Hence the question of cross subsidy to the LIG and the EWS from the RF does not arise at all. Even though the EC could not examine financing of the various schemes, the recommendations are pertinent and forceful.

### *Housing*

As mentioned earlier, in the framework of the Master Plan, housing was limited to the development of land for various income groups. It was only in the seventies that the DDA entered into the construction of houses in a big way. The demand for houses increasing by leaps and bounds due to the exploding rate of population growth, the total number of houses constructed by the DDA has not been able to make any dent on the housing situation. Out of 55,326 persons registered with the DDA between 1972 and 1976 about 1500 persons are yet to be allotted houses. The EC rightly attributes this to lack of any planning in this regard. It has, therefore, recommended to fix physical targets for construction and any deviation from

this should call for fixing the responsibility not only at junior levels but also at higher levels in the organisation.

Construction of houses by the DDA has been bitterly criticised equally by the public and the media on the grounds of manifold increase in the price charged for the houses and a poor quality of construction. The EC has very closely examined these two aspects of DDA houses by analysing the cost data and also through laboratory check of samples collected from the construction sites. An attempt was made by the DDA to reduce the prices by constituting a committee for "Review of specifications and planning of economy in cost structure of houses". This Committee had suggested to reduce the price by compromising on quality and comfort. The EC in its report has deplored this approach and has suggested to reduce the price "by streamlining the organisation, reducing wastages, avoiding uneconomic purchases and by reducing the overheads and cost of land development by eliminating arbitrary and unauthorised charges...."

As regards poor quality of construction, a Committee appointed by the L.G. recently found that over 5000 houses constructed by the DDA in recent years were structurally not sound and the quality of another 5000 was found to be very poor. The EC, therefore, has recommended to have a system of regular inspection of the houses during construction. The Quality Control Cell of the DDA should be authorised to stop construction or demolish the completed work in case the work was found to be substandard. In the opinion of the EC, one of the reasons for poor quality of DDA houses is the lack of responsibility at the higher levels. It, therefore, likes that the specific responsibility is clearly laid down at all levels in the engineering hierarchy including the Superintending Engineer, Additional Chief Engineer and the Chief Engineer.

In addition to these specific subjects, the EC has also examined the regularisation of unauthorised colonies, resettlement colonies, management of lease system, corruption and other malpractices in specific cases brought to the notice of the EC.

It could be obvious from the above analysis of some of the specific aspects of the Master Plan and its implementation and the observations of the EC on these that it seems to have taken up only certain specific procedural and house keeping aspects of urban development being undertaken by the DDA. It has been indifferent to some of the vital policy measures and issues involved in it. These pertain to the setting up of the coordination machinery taking due cognisance of the limitations inherent in the administrative set-up of the Union Territory of Delhi, integration of the DDA's operations and finances with plan allocation of funds, relocation of the operations and of the Revolving Fund, operation and maintenance of the capital assets created by the

DDA, and so on. The Estimates Committee should have taken up these vital policy issues for indepth examination so that the views expressed on them could have provided proper and effective solutions. Though these aspects have been examined and analysed by the official committees and by the academics, the views of the EC on these policy issues would have provided authenticity to the recommendations.

—GANGADHAR JHA

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ON  
URBAN LAND MANAGEMENT**

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## *Contents*

	PAGE
<b>Editorial</b>	v
<b>Articles</b>	
LAND POLICY AND THE URBAN POOR <i>M.N. Buch</i>	1
MADRAS METAMORPHOSIS : SPATIAL PLANNING FOR GROWTH <i>Francis J.C. Amos</i>	11
LAND AND THE INTERNATIONAL YEAR OF SHELTER FOR THE HOMELESS <i>I. Chaudhuri</i>	20
REVOLVING FUND AS A TECHNIQUE OF FINANCING LAND DEVELOPMENT : A CRITIQUE <i>Gangadhar Jha</i>	62
TOWN PLANNING SCHEME AS A TECHNIQUE FOR URBAN LAND MANAGEMENT IN INDIA <i>Chetan Vaidya</i>	79
COMMENTS <i>Rakesh Mohan</i>	100
URBAN LAND POOLING/READJUSTMENT IN WESTERN AUSTRALIA <i>R.W. Archer</i>	101

**Book Review**

C. LOWELL HARRISS (ED.), *THE PROPERTY TAX AND  
LOCAL FINANCE*

118

*Abhijit Datta*

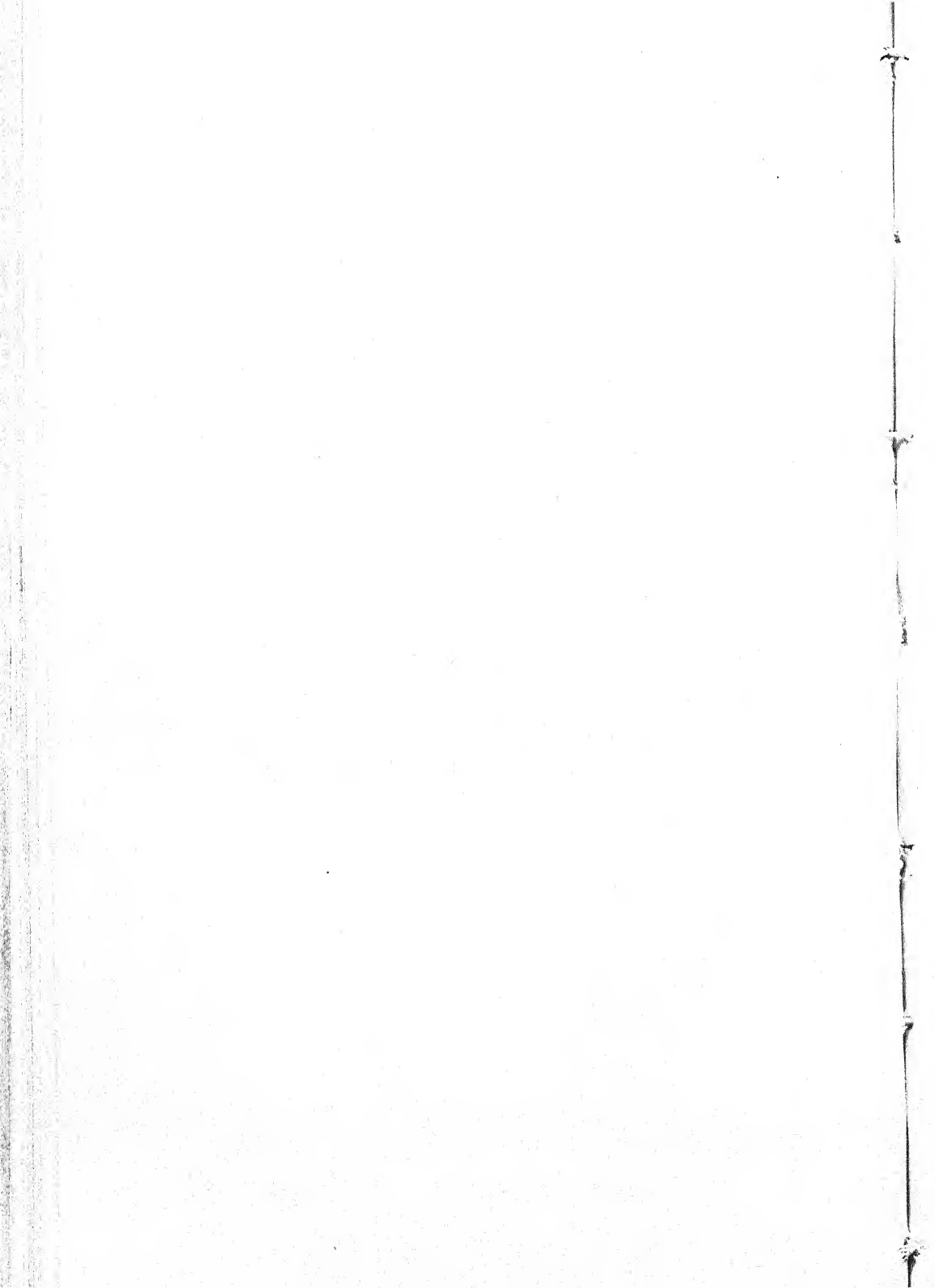
## *Editorial*

The theme of the present special issue: 'Urban Land Management' has been subjected to intensive examination in the context of recent discussions on urban land policy following the publication of the Planning Commission Task Force Report on 'Planning of Urban Development' in 1983. We include papers on land policy, spatial planning, land supply for shelter, financing technique for land development, and finally, land assembly under the town planning schemes. The issue also contains a book review on property taxation in the USA.

We hope that our concern for a more efficient system of urban land management would be reflected through the discussions initiated in the papers presented here.

—Editor





# *Land Policy and the Urban Poor*

M.N. BUCH

THE EXPRESSION, 'Land Policy', is meaningless in India in an urban context because in fact we have no policy. From time to time there are expressions of intention and, segmentally, pronouncements of decision. There is, however, no consistent policy, formulated on a detailed study of the problem and after careful examination of the policy options available. There is not even an attempt to disaggregate the problem by region or city size, with the result that so-called policy pronouncements are given uniform applicability, with the uniform outcome of substantial failure. What is more, there is both continuous experimentation and shifting of grounds, coupled with a completely unrealistic and supercilious approach to the question of resources.

## EXISTING FEATURES

These somewhat sweeping generalisations, which are bound to generate controversy, bear closer examination. What are the planks of our so-called land policy? Briefly stated they are :

- (i) The framing of master plans which, amongst other things, assign land use and determine densities.
- (ii) The socialisation of urban land through large scale acquisition and its distribution on an equitable basis. As the first Master Plan of Delhi puts it, "... land will remain under public ownership . . . so that the benefit of planned growth accrues to the common man . . ." (page 6).
- (iii) Control over land prices by State regulation of alienation, massive release of land from the urban land bank, etc.
- (iv) The utilisation of profits from land by the State for the further development of land and the provision of urban services. To quote once again from the Delhi Master Plan Work Studies—Text—Volume I—page xxi): "Public purchase and ownership and subsequent phased development of land creates legitimate

land value enhancement which, when leased for commercial and industrial use or high level residential use, can produce substantial revenues which should be applied to the social goals, helping substantially to meet development costs."

- (v) The use of land for public housing on a massive scale, especially housing for the poor.
- (vi) The simultaneous development of a series of urban centres with a view to dispersing urban activity and, thus, relieving the pressure on already developed urban land or on land on the periphery of existing urban centres.

#### AN ANALYSIS

One could begin one's analysis with the concept of the Master Plan. Whilst every master plan aims at ensuring what is euphemistically called "orderly growth, planned development, balanced development, harmonious growth and similar lovely catch phrases, in effect they all degenerate into two dimensional, rigid exercises in retaining a certain desirable character of selected areas whilst trying to push the chaos of the normal dynamics of growth into some dark penumbra. There is a definite siege mentality about the planners who design the Rohinis and the Khichripurs and Sultanpuris of our urban world. The real purpose is to divert the flood, to put up dikes which will protect New Delhi or Adyar or Ballygunge. This is not to state that there is some deliberate design motivated by evil—rather this is the inevitable consequence of our orientation and training.

This hypothesis requires elaboration, because basically the concern of this paper is not the techniques of planning or the state of the art, but the impact of policy on the urban poor. The poor are those who are either wholly in the informal sector or are unskilled and have drifted into the city to work in the tertiary or service sector. They are unorganised and dependent on *daily* employment. The scene outside the gate of a textile mill in Bombay or Ahmedabad or Indore or Coimbatore, or at half past five in the morning at the road over-bridge at Ashram in Delhi is revealing. 'Badli' labour in the textile mills or construction workers at the Ashram bridge congregate in the hope of being selected for work for the day. For example, at the Ashram bridge contractors come with their lorries, go down the line of workers sitting huddled against the cold under cotton sheets and pick them up on the basis of 'first in the queue, first employed'. A man living near Ashram is likely to be first in the queue, a man coming from Janakpuri will almost always be the tail-end-Charlie. As likely as not he starves. This is a fact of life which no master plan takes into account: that the poor must live near work sites merely to

survive. ✓ A work zone and a residential zone are meaningless to the poor, for whom the work place must also always be the place of residence. The workers in the leather factories on the Eastern Metropolitan Bye-pass at Calcutta do not have olfactory organs less sensitive than those of the society ladies of Alipore, but they live with and amidst stench because distance would render them jobless. All master plans in India, bar none, fail in serving the poor on the touchstone of location of residential areas. The high density locations for the poor are almost always on the city fringes and core areas with high densities are pronounced to be blighted and are slated for redevelopment. ✓ All urban redevelopment or renewal projects throughout the world are slated against the poor, for the required relocation which starts out as temporary and becomes permanent. With respect, therefore, it is urged that the use of the master plans does not serve the poor—the likelihood is that it militates against their interests.

✓ The master plans further work against the interests of the poor through designation of land uses by making it difficult for them to use their residential premises as work places. The problem with designated uses is that only those who can afford to buy land or premises can benefit by such designation. The petty vendor, the repair shop, the self-employed craftsman are all forced to operate clandestinely and are constantly harassed. In their search for neatness the planners in effect have successfully obstructed the healthy growth of the informal employment sector, the sector of the poor.

It is in Delhi that a beginning was made with the concept of socialisation of urban land and the creation of an urban land bank. About 32,000 hectares of land was notified for acquisition and about a half of this was actually acquired. This massive effort became possible because government also provided the resources for acquisition in the shape of the revolving fund with an ultimate State contribution of Rs. 12.5 crores. The artificial pegging of prices at the level prevailing on the date of notification under section 4 of the Land Acquisition Act and a denial to the land owners of the benefits of even legitimate price escalation also greatly facilitated acquisition on this scale. One can write reams on how this land has been used in Delhi and, depending on whether one is a protagonist or antagonist of the Delhi Development Authority (DDA), to hold this up as a model for urban development, or to condemn it *in toto*. However, regardless of its efficacy in serving desired goals, the fact remains that this policy for Delhi, supported by hefty financial aid from government, was sought to be replicated in other states, with calamitous results. No urban land policy was designed or enunciated. Instead a catch phrase, "socialisation of urban land", was floated by the Union Ministry of Works and Housing, and repeated parrot-like by planners and bureau-

crats who had no idea of what needed to be done to implement the policy. Development Authorities were established all over and told to go ahead and acquire land, almost as monopolists. Funds or the expertise to assess needs, plan and execute development programmes or to manage the lands were not provided. Thus the Jabalpur Development Authority, for example, notified 6000 hectares for acquisition, actually took over about 1200 hectares and developed less than 400 hectares. What it effectively achieved, however, was the blocking of developments by individual initiative and, therefore, spawned a multitude of unauthorised colonies. Even Delhi has as much land under these unauthorised colonies (as distinct from squatter colonies) as under the DDA development schemes.

It is questionable whether the above policy has really created an urban land bank for the benefit of the poor, or succeeded in controlling prices. There are no definitive studies of urban land prices in India as a whole and those which exist tend to be segmented and somewhat inaccurate. Land prices are not truly reflected in registered sale deeds as there is a tendency of under valuation for tax and duty purposes. Sales are artificially inhibited because of lease conditions, the provisions of the laws on ceiling on property etc., and many deals are clandestine. However, there is sufficient evidence on record that the escalation in urban land prices is much greater than the general rate of inflation and this is reflected in the prices fetched at auctions conducted by government and its agencies. The restrictive nature of the auctions does not explain fully the high prices fetched, because in the area-wise valuation of land price for the assessment of incremental value, the DDA, for example, has accepted phenomenally high price norms. The cheapest is, perhaps, Rs. 350 per square metre in the outlying areas. Land so priced is certainly beyond the reach of the poor and, therefore, they must resort to squatting. In fact, squatting on a large scale in cities which claim to have land policies favouring the poor is proof positive either of the non-existence of a policy or the total failure of such policy.

A recent study of Bogota (World Bank Staff Working Paper No. 651) indicates that the price differential between land at the core and the periphery tends to narrow as the city grows and activity decentralises. This means that the policy of giving land on city peripheries to the urban poor does not really work because even such land is beyond their affordability. If the land is subsidised there is a tendency to transfer and relocation in squatter areas near work sites, both to cash in on real land value and to be near one's work place. It is believed that in Delhi this phenomenon is quite widespread.

An urban land bank can succeed only if it creates a pool of allotable land adequate in size to meet demand requirements. This can be

done in a variety of ways. There can be continuing acquisition by law or purchase. There can be incentives offered to land owners to divert land to urban usages. Recycling of land can also be done and intensity of use increased by redensification. Inefficient land use can be rectified by regulation and taxation measures. There can also be an aggressive policy for location of activity whereby migrant streams can be diverted to areas of cheap and plentiful land availability. But no land bank can survive for long where it merely juggles with a given quantity of land as is being attempted to be done in Delhi.

One of the major policy instruments available to the State was the "Urban Land (Ceiling and Regulation) Act, 1976". This Act was aimed at socialising all land in excess of a given quantum on payment of a nominal amount, thus making available large chunks of strategically located land for use by the common man. However, the way the Act has been operated casts grave doubt on the real motive behind its enactment. There are certain sections, such as 20 and 21, whereby exemption can be granted from the operation of the Act. The power to exempt vests in government, which means the minister. The power to exempt cannot be delegated to an official at a level lower than government, for example, collector, commissioner, etc. This means every such decision is taken at *political* level. The phenomenon of granting exemptions to large property owners, bogus cooperative societies who enter into agreements to purchase land, commercial builders, etc., is universal, with the result that the very purpose of the Act has been defeated. The only persons whose lands have been taken over are genuine agriculturists doing agriculture within city limits or the single house-owner with a plot marginally larger than the prescribed ceiling. One cannot but help conclude that the Act was never part of a policy design to take over land to serve the common man, but rather was yet another political gimmick to gain popularity at a given moment, only to be ignored later on.

One of the underlying assumptions of large-scale public ownership of land was that part of the land would be used to generate profits which would be ploughed into developing more land. This land would bear a cross-subsidy from the commercially utilised land so that the poor could get land at reasonable prices. In actual operation, however, all Development Authorities, especially the DDA, have been forced into a spiral of making huge profits which are channelised into high visibility ventures such as parks and other schemes of city beautification, city highways which bear little traffic, and expensive housing, commercial complexes and stadia. The Hyderabad Urban Development Authority, for example, has been virtually brought to a standstill because of such hare-brained schemes. Any good financial

manager would be able to advise that cross-subsidies simply do not work, because the uncertain variable of time operates eccentrically in India. The time lag between acquisition, development, sale, allotment and returns is so unpredictable that even the DDA found itself in grave difficulties because it *invested* in projects like the Asian Games village but could get no *returns* from these for quite some time. The estimated profits from such ventures invariably evaporate through the operation of time, or are diverted into equally expensive new projects without benefiting the poor. Therefore, any scheme of giving subsidies must be funded from the public exchequer as a straight State expenditure. Any scheme for the poor formulated by a self-financing agency, such as a Development Authority must be self-sufficient, scheme-wise. This means that the scheme must be formulated to be within the level of affordability of the beneficiaries. This calls for hard work, meticulous planning and honest implementation, which is why the easy way of cross-subsidies is sought.

An extension of the land policy would naturally be the use of the land for mass public housing. One of the estimates of the housing shortage is 18 million housing units. HUDCO, by its own accounts, has financed the construction of 1.3 million housing units. Many of these are in the pipe-line. Even if all were completed, the figure represents 7 per cent of the requirement to meet existing shortages. HUDCO funds the major share of public housing, which means that public housing only touches the fringe of the problem. The EWS house financed by HUDCO costs Rs. 3,000. This means that no public housing actually falls within the range of affordability of the urban poor; i.e., 30 per cent of the urban population. There is, therefore, no policy for the housing of the poor in public housing.

#### DISPERSAL POLICY

This brings us to the strategy of developing a series of urban options from which a potential immigrant could choose. Dispersal is sought to be achieved by a number of means. The industrial location policy, the backward areas and no-industry district incentives, etc., are aimed at preventing industry from locating in large cities and instead moving to areas of relatively poorer economic or urban development. In actual practice this does not seem to have happened as originally planned. There has been a general decline of existing industry in large cities because of obsolescence and a positive inhibition of either renewal or replacement by a more contemporary activity. This has led to a definite economic decline of core cities and a change of emphasis from secondary to tertiary occupations. This, for example, is the preliminary signal emanating from



Maharashtra as evidenced by the 1981 Census.

A natural corollary of the decline of the economic strength of our older cities is the increase in the number of the urban poor and a steady deterioration in their living conditions. As the tax base shrinks and the demand for service increases, all local bodies find themselves more and more unable to maintain municipal services. A study by the National Institute for Urban Affairs (NIUA) on behalf of the 8th Finance Commission categorically states that an additional Rs. 5,000 million per year is needed by local bodies to merely maintain the services at their present level, and an additional Rs. 3000 million per year to ensure normal upgradation to meet the additional demand generated by normal accrual to the urban population. The burden of inconvenience resulting from deteriorating services inevitably is borne by the poor.

Location is a function of land use in that regardless of what determines a location preference, it is on land that an activity is sited. The manner in which the dispersal policy has been operated tends to locate industry on the fringes of large cities. Thana—Belapur—Bhiwandi near Bombay, Dewas and Peetampura near Indore, Faridabad—Ghaziabad—Sonapat—Ballabgarh near Delhi, Kalyani near Calcutta, Ramchandrapuram—Pattancheru near Hyderabad or Hosur near Bangalore are all examples of such location. The 1981 Census states that the Calcutta Urban Agglomeration registered a decadal growth of 31.5 per cent where the Municipal Corporation area of Calcutta (constituting over 45 per cent of the UA) grew at only 4.5 per cent. This means that, giving due weightage to definitional variations of the agglomeration between 1961-71 and 1971-81, the peripheral areas grew at such a phenomenally fast rate that the slow growth of Calcutta city was thus wholly compensated. Poona and Pimpri-Chinchwad are yet another example of a similar trend. Quite apart from the fact that such peripheral growth casts doubt on the validity of the manner in which the policy of dispersal has been framed and implemented, this phenomenon removes the city's tax base outside its limits, whilst increasing the burden on city services. Money is never found for the sympathetic development of support services in these rapidly growing towns adjacent to the city, which necessarily require servicing in major detail by the main city. The Corporation of Baroda, for example, is literally coming apart at the seams because IPC and GSFC contribute nothing to city revenues whilst drawing on city services. The sufferers, naturally, are the city-dwelling poor.

The dispersal policy is also served by other instruments—development of new towns, the integrated urban development programme for large cities (now abandoned) and the integrated development of small and medium towns (IDSMT). New towns are mainly company



towns around large scale, location specific, industries. Here it is resources rather than a specific land policy which determines location and, therefore, for the purpose of this paper such towns can be ignored. The integrated urban development programme, as indicated by an evaluation done by the NIUA on behalf of government, has failed to achieve even one of its objectives, and IDSMT bids fair to follow suit. The evaluation report suggests that the failure stems from the want of a well thought-out policy rather than just weakness of implementation.

A stark fact staring us in the face, therefore, is that we have no urban land policy, and the blame for this rests fairly and squarely on the Ministry of Works and Housing. The policy decisions tend to be ad hoc and, therefore, alter from plan to plan. Witness the emphasis on large cities in the 4th and 5th plan (IUDP) and the switch to small and medium towns, to the exclusion of cities, in the 6th plan. Had all large cities been fully covered, which justified this change? Even funding is ad hoc—Rs. 10 million per town for 200 towns, making a total of Rs. 2000 millions. It is an arbitrarily allotted resource figure rather than an estimate of what is needed to meaningfully develop small towns that determined the programme. In terms of location, backward districts are selected *adjacent* to large cities, so that lip service is paid to a policy of dispersal, whilst creating industrial suburbs near large cities. Urban land is socialised for the common man and then priced out of his reach. When he builds what he can afford, where he can afford it, the construction is designated a slum and forcibly removed, as in Delhi, or settled on an as-is-where-is basis as a vote catching gimmick, as has recently happened in Madhya Pradesh. All this, of course, is in the name of the urban poor.

#### DESIRED FEATURES

There are certain urban imperatives of which note must be taken. The rate of urban growth, both in terms of increase of city size and upward movement of large villages into urban sector, is more than double the rural growth rate. Much of the accretion to urban population by migration will tend to be the unskilled rural poor moving to areas of comparatively higher employment potential. This trend is particularly noticeable in North Bihar and Eastern Uttar Pradesh. These people will add in numbers to the urban poor, who need both jobs and shelter. Jobs can flow only if the employment potential is expanded. The first plank of an urban land policy, therefore, has to be the facilitating, by appropriate land utilisation, land availability and allocation and land pricing policy, the creation of job opportunities. These can be in the secondary or tertiary sectors, in formal or

informal activity, in self-employment or wage employment. The identification of the inhibiting factors and their removal would constitute policy.

The second plank of policy would be the acceptance of economic realities. We cannot afford to build the neat cities of the west because much of our economic activity will be a mix of the formal and the informal, a great deal of transport will be the bicycle and man's two feet and most of the new housing will be shacks. ✓ The land policy of any city will have to be aimed not so much at providing the high cost district centres of Delhi, but the places where people can both build their shacks and find economic fulfilment. In particular, it will have to coordinate with an industrial location policy which assists in creating appropriate activity without making a fetish of city size. ✓ If true industrial dispersal is brought about by locating high technology industry at contemporary levels of modernisation in cities having specific skill advantages, whilst encouraging growth of labour intensive industries in areas having pools of surplus labour, then there might be a more equitable distribution of job opportunities on a regional scale, to the benefit of the poor.

The third plank of policy would be to revise master plans to provide for highly mixed land uses. The objective would be to mix work places and land for residential purpose. There would have to be a recognition of resource limitations and the ready acceptance of self help, temporary housing, in other words a shack, as a feasible solution to the housing problem. The location of such housing must be within cycling of the work centre in which most people of the area work. Planners need not be horrified at the thought of a city of shacks; if the requisite minimum services are provided the area will not be unhygienic and, as economic conditions improve, the shack owners will themselves upgrade their housing. People who can build to the horrendous density configurations of Dharavi and survive, or construct houses out of discarded materials not even acceptable as junk to engineers and architects, need no lectures from planners. What they need is land, legitimacy of use and tenure and services, such as, water, drainage and power. The rest they can create themselves.

The last plank of urban land policy that can be suggested is an acceptance of land as *not* being a resource for urban development. Land is like coal—unexploited it may have zero value. Exploitation demands investment. This must come from the State. Pricing below the opportunity cost works only if opportunity cost itself is made to appear quite low. This can be done only if we abandon the policy of demonstrating the real cost by selling expensive and then subsidising out of profits the comparatively lower cost to the poor. They do not

retain the benefit of cheap land because they know the real value by studying auction rates. The tendency is to sell out for profit and then encroach elsewhere. In fact, the exchequer must fund land development so that *all* land is reasonably priced. Taxes, based on land use, rather than sale profits, should be used to fund land development.

✓ In ending it is suggested that there should be a separate Ministry of Urban Affairs at the Centre—the present Ministry of Works and Housing is too pre-occupied with Delhi affairs and the CPWD. Only then is a consistent approach to urban issues likely to evolve.

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# *Madras Metamorphosis: Spatial Planning for Growth*

FRANCIS J.C. AMOS

MADRAS LIKE most other major Indian cities has experienced a rapid rate of growth over the last six decades. Population has risen from a little less than 600,000 in 1921 to an estimated 4.59 million in 1978 and, as is common in such cases, physical growth has extended across administrative boundaries. Thus, although the area under the jurisdiction of the city was enlarged from 129 to 172 square kilometers in 1978, it was still necessary to identify two larger areas. One indicated the extent of the urban agglomeration, the other known as the metropolitan area, included additional land which falls largely under the influence of the urban areas. The extent of these three areas were as follows:

	<i>Area (sq. km.)</i>	<i>Population (1978 est.)</i>
City of Madras	172	3.4m
Urban Agglomeration	531	4.18m
Metropolitan Area	1167	4.59m

Current trends in India generally, and in Tamil Nadu in particular, give no reason for supposing that growth will not continue. As a consequence best estimates of population in 1991 are that there will be 5.42 million people in the city and 7.31 million in the metropolitan area.

The problems generated by this growth have led to the preparation of six development plans between 1967 and 1974, culminating in the latter year in the Master Plan for the Madras Metropolitan Area. However, none of these plans were effective in influencing either the rate, or pattern, of growth for three reasons. First, none of the plans took sufficient account of the irresistible pressures for urbanisation. Secondly, the methods of development control and development management were inappropriate for the purposes of the plans. Thirdly, the administrative structure necessary for effective plan

making and implementation did not exist. This third factor had been a source of concern and the subject of proposals since the drafting of the Madras Interim Plan in 1967, but it was not until 1975 that a more appropriate administration was established. In that year the Madras Metropolitan Development Authority (MMDA), which had existed on an ad hoc basis since 1972, was made into a statutory body.

MMDA was then vested with powers to prepare plans and regulate and promote development. In connection with the first of these powers MMDA quickly came to the view that it required a long term development strategy based upon a realistic appraisal of existing conditions and trends. MMDA also found it necessary to take immediate action to relieve some of the worst conditions in the area, particularly with regard to shelter and housing.

To meet the first of these needs the British Government's Ministry of Overseas Development (now Overseas Development Administration) commissioned Alan Turner and Associates to prepare a Structure Plan for Madras Metropolitan Area. This plan was completed and submitted to MMDA in June 1980. In parallel with this work, MMDA also embarked upon a major housing programme with the assistance of the World Bank.

The Structure Plan, in addition to providing a spatial strategy for development, has raised a number of important issues in relation to statutory planning provisions, planning practice, development management, public administration, professional roles and training objectives.

#### THE PLAN'S STRATEGY

The strength of the Structure Plan lies not so much in its originality as in its realism and practicality. The plan is based on the assumption that the population will grow to approximately 7.31 million by 1991 and, therefore, sets out a strategy which takes account of the consequences and exploits the opportunities of such growth.

In addition to an adequate supply of urban land the plan identifies the prime requirements of this enlarged population as being the adequate supply of water and of perishable foodstuffs. Since a major source of the former is ground water drawn up by a vast number of shallow tube wells, it is obviously of great importance that nothing is allowed to happen which would be an impediment to the replenishment of the stock of ground water. The plan therefore proposes that no development should be allowed to occur on the water gathering grounds which feed the subsurface aquifers within the metropolitan area.

Similarly, to ensure an adequate supply of fresh food the plan seeks

to maintain existing areas of intensive market gardening and to preserve from development other areas which might be so used. Additionally, since much of Madras is low lying, a third factor which has to be taken into account in determining land available for urban uses is the unsuitability of areas liable to flood.

There is some degree of coincidence of these three factors and the plan aggregates the three classifications to identify those areas where urban development should not be permitted. As a consequence the plan proposes reservations to the north, the west and the south disposed in such a way that there is room for major corridors of urban development to run between them. Considerable development has already occurred within these corridors and this has significantly contributed to the elimination of these areas as suitable for water gathering or for market gardening. However, the development is fragmented and low density and there remains more than sufficient land within these corridors to accommodate all the additional population anticipated by 1991.

The corridor areas have already proved to be attractive for new development, largely because they lie along the main lines of communication and the plan proposes that in order to maintain their attracting power and to avoid congestion there should be an improvement in the capacity of the existing road and rail radial routes. Such improvements were found to be considerably more cost effective than any investment in a new mass transit system.

The third strategic factor embodied within the Structure Plan is the type of development which is required and the locations where it should occur within the identified urban envelope. The plan takes cognizance of the fact that if unemployment is to be eliminated 60,000 new jobs per year must be created, rising to 78,000 per year in 1991. Similarly something of the order of 300,000 new dwellings will be required by 1991.

The plan proposes that along each of the corridors of development there should be a series of urban nodes or growth centres. These will ensure that there are work opportunities reasonably accessible from all residential areas and will at the same time limit the loading on the radial routes which might otherwise result from excessive central area commuting.

#### THE PLAN'S FORM

In giving expression to the development strategy, the authors of the plan have departed from the conventions of master plans in several important respects.

First, although the Structure Plan document is liberally illustrated

with maps and diagrams, there is no large scale map prescribing precise and specific land use allocations. Broad land use classifications are indicated at a scale of approximately 1 : 25,000 on a base map showing very little detail. The text makes it clear that detailed land use allocations have to be made in local plans, which should conform to the principles of the Structure Plan. By refraining from detail at the strategic level, this form of plan avoids many of the difficulties of previous master plans where excessive detail has inhibited the production of local plans which can adequately deal with local idiosyncracies.

Secondly, a more systematic approach to phasing has been adopted in the strategic plan. Whereas there is much in common in the land use strategies of the 1974 Master Plan and the 1980 Structure Plan, the former refrains from making any phasing proposals, whereas the latter provide an indicative programme. The programme is no more than indicative for three reasons. One is that there can be little justification in preventing desirable and/or permissible development merely because it is proposed by a development agency somewhat earlier than expected. Second, the phasing is largely based upon an identification of areas which will have an adequate provision of infrastructure services in the first ten years of the plan, but the programmes of service agencies are neither wholly specific nor immutable. Third, forecasts of the rate of population growth and other change are always liable to be affected by new and unanticipated circumstances.

The third way in which the strategic plan differs from its predecessors is that it has given much greater attention to optimising the use of existing facilities and to keeping the development proposals within realistic resource limits. Both of these matters bring the planning process into a close relationship with development agencies and the various implications of this relationship are discussed later.

#### THE REALITY OF GROWTH

The most fundamental difference between the current Structure Plan and its predecessors is its acceptance of the inevitability of continued growth in terms of population. All preceding plans have examined the pressures for continued growth and have then adopted policies or assumed that external policies will restrict the rate of growth.

It is not surprising that growth has never been effectively restricted. Much growth is actually attributable to the natural increase of the resident population. In addition the Madras Metropolitan Area continues to foster immigration because it offers to many



people a better life chance than they can expect in the surrounding hinterland. Furthermore, many of the tools of restraint have either been technically inappropriate or politically unacceptable.

The unfortunate consequence of these restraint policies has been that plans and budgets of various agencies have been devised to meet the needs of an unrealistically small target population, with the result that virtually every service is under-provided and over-loaded. The outcome of these past practices means that the structure plan now not only has to provide for future growth; it also has to plan to make good the deficiencies of the past.

Unfortunately the problems of growth are not merely problems of service provision. Land and employment are critical factors affecting the well-being of the residents of Madras.

As in other major Indian cities, Madras suffers the consequences of large scale squatting by a substantial proportion of its immigrants, together with the poorer sections of its indigenous population. To some extent this situation is brought by the imperfections of the conventional land market. The large volumes of black money circulating and being 'laundered' through property transactions force up the market price of land to a point where it is beyond the reach of many households. However, as elsewhere, the informal land acquisition system of squatting operates in parallel with the conventional market to provide a means of urban land acquisition which, more often than not, comes to be legitimised retrospectively.

In both the conventional market and squatting systems the situation has been considerably aggravated by development plans which have restricted the amount of land available for urban growth. In the conventional market such plans have tended to force up prices. In the squatting system since the reality of squatting is officially ignored no attempt is made to steer squatters to suitable locations or to occupy land in an orderly way.

Thus the new Structure Plan, by providing for expected growth, at least offers an opportunity to reduce some of the unacceptable consequences of continued growth. However, the plan can offer no more than an opportunity. Madras and indeed India as a whole, needs to draw on the experience of other countries to improve land availability and shelter affordability.

Just as the plan has adopted a fresh approach to population growth, so also it has adopted a positive stance towards employment. The plan recognises that there is already substantial unemployment or under-employment in the area and that a major advance must be made in the economy and in employment generation if sufficient work opportunities are to be found to meet the needs of both the existing population and the anticipated increase.



However, Madras is not well placed for such a dramatic change in its economy. Despite the vast hinterland of Madras and the fact that the metropolitan area dominates Tamil Nadu commerce and industry, the economy is sluggish. Neither the commercial nor the industrial base compares favourably with other major Indian metropolitan centres, the growth rate is slow and is largely confined to the small firm and informal sectors. To some extent the situation in Madras reflects the depressed state of the south Indian economy and as such it calls into question the relevance to Madras of the Union Government's policy of discouraging economic development of the larger cities as part of its strategy to inhibit the growth of the major metropolitan centres.

This is not the place to enter into a general critique of India's national urban policies, but the questions which have been raised about the policy in general appear to be acutely relevant to the Madras situation. For a considerable distance around Madras there is no major centre which is of sufficient size or is sufficiently well placed or well serviced to act as a counter magnet for Madras. Consequently if economic growth does not occur in Madras it is unlikely to occur in the region.

The Structure Plan, therefore, very reasonably declares aims to promote economic growth by whatever reasonable means are available, but it has to be recognised that there is a serious risk that full employment will not be achieved within the plan period.

#### SCOPE AND CONTINUITY

An inevitable corollary of the Structure Plan strategy of catering for growth is the issue concerning how best to meet the needs of the enlarged population and how best to promote economic growth.

In dealing with these issues the Structure Plan makes it abundantly clear that effective planning cannot be solely a matter of land use allocations. Yet at the same time it also makes it clear that although the plan identifies investment and development need, it is not the role of the planning authority either to provide that investment or to carry out that development.

In so doing the plan illustrates the very subtle relationships which have to be developed between planning agencies and development agencies. By taking a long-term over-view of what could and should happen in the metropolitan area, the plan inevitably identifies development targets which should be achieved by other agencies. However, these other agencies are in no way subordinate to the planning authority and each has its own policies, objectives and constraints.

It follows from this situation that if development is to be effectively

coordinated there has to be a kind of bargaining dialogue between the planning authority and the development agencies and amongst the development agencies themselves. This situation is brought out very clearly in the plan in relation to land which has been acquired by the Tamil Nadu Housing Board for early development. Some of this land has been identified in the plan as more suitable for intensive agricultural production, while some other parts are seen as more suitable for development much later in the plan period. There are, therefore, potential conflicts regarding both land use and phasing.

Very wisely the plan does not attempt to identify and resolve all these potential points of conflict for three very sound reasons. First, the more detailed studies which the plan recommends may resolve some conflicts, but identify others. Second, some of the issues are between different development agencies and are not the direct concern of the planning authority. Third, circumstances are bound to change with the passage of time and, therefore, areas of conflict may shift.

However, to ensure that vagueness shall not lead to inertia, the plan sets out 120 steps which should be taken by a variety of agencies. These steps include such matters as land management, rural development, financial resources, employment, shelter, transport, education, health, water and drainage.

It is intended that these 120 steps together with others which may be identified later, will not only give reality and precision to the plan, but will give the plan its own dynamic. In this respect, the Structure Plan makes another important departure from Indian planning convention. The current Structure Plan is presented as no more than a starting point for an iterative planning process, the product of which would be a constantly evolving and constantly relevant plan.

#### INSTITUTIONAL ISSUES

While the process for planning adopted by the Structure Plan is to be much commended it does raise a number of institutional problems which could not be properly regarded as lying within the scope of the plan. It is, therefore, much to the credit of the Tamil Nadu Government and MMDA that they commissioned a further study to look into these institutional matters.

A particular institutional problem which threatened to create a stalemate situation was the status of the Structure Plan. Since it lacked the precision of the conventional master plans and since it was intended to be constantly reviewed it could not be adopted as a replacement of earlier plans. Yet if it were not adopted there was

no basis upon which to legitimise the further 120 steps which the plan recommended. Eventually a formula was worked out which adopted the structure plan as policy, which should take precedence where it differed from earlier plans and which authorised the initiation of further work.

Another problem was the identification of the operational and procedural steps necessary to resolve inter-agency differences and to coordinate their actions. In this connection it was necessary to make a distinction between public and private sector agencies. In the public sector the most realistic means of achieving coordination was seen to be a system of capital works programming. This is not intended as a programme to be dictated by MMDA, but as a vehicle for negotiation between planning and development agencies. The intention is that most of the programme should be determined by negotiation. However, it was recognised that there would be some occasions when individual agencies were unable or unwilling to collaborate because of some obligation or constraint imposed upon them by higher authority. It has, therefore, been arranged that the Chairman of the MMDA should be the Chief Secretary of the state government and that critical issues of the type described should be referred to him.

In the case of the private sector, the coordination of development was found to be a much more nebulous problem. On the one hand, public opinion is such that there is little respect for or compliance with a tight system of control such as is operated in some highly developed countries. On the other hand, much development control is delegated to local bodies, all of which wish to encourage development in order to enlarge their tax base. Furthermore, more than half of the metropolitan area and most of the growth area is governed by a multitude of small authorities who have neither the administrative or technical capability to exercise any kind of development control.

Solutions to these problems are being sought in two different ways. One way is reduced to an absolute minimum the amount of control that is exercised. In practice this means that, except for special areas such as the national park, the airport district and the central area, the only regulations will be those essential to prevent nuisance to neighbours. The other way involves the preparation of local plans for each local body. Each of these plans provide opportunities for each of these bodies to encourage some taxable development. It also involves sending out MMDA staff to make frequent contact with the local bodies to give them the technical support which they need.

## CONCLUSION

Taken altogether the Structure Plan for the Madras Metropolitan Area provides not only a sound strategy for a development, but also lays the foundation for a much improved planning process. However, this new process raises two general issues of major importance. First of these is the institutional arrangements for managing development. There is an urgent need for a formal machinery both within the state government and MMDA, for the broad spectrum coordination which is essential for the formulation and implementation of sound policies. Secondly, the new approach blurs the distinctions between the roles of various technical professions and administrators, which in turn implicitly requires the re-orientation and retraining of many senior staff. Essential as these are for the improvement of the planning process, they will be a source of tension and anxiety for many public servants. In several senses the Madras Plan can, therefore, be said to have pointed out an encouraging but challenging way ahead. □

# *Land and the International Year of Shelter for the Homeless\**

I. CHAUDHURI

THE 20TH century has been witness to many changes in the life of mankind. Many answers to perplexing questions agitating the minds of men and women over the ages have been found and the flow of material goods has been unparalleled in the history of man. However, despite these tremendous achievements, and the vast array of resources at our command, the question of sheer physical existence and the need for providing living space for man on this planet is, in more ways than one, proving more difficult and more elusive. The quest for land had resulted in the empires of the past but with the re-emergence of the newly independent countries after the gradual abolition of colonialism from the mid-20th century onwards, fulfilment of both the aspirations and needs of those living in the developing countries have assumed extreme urgency. It was perhaps in recognition of this fact that the Vancouver Habitat Conference in 1976 made recommendations for national action on land which was becoming a scarce resource and whose management would require a considerable degree of public control in the interest of the respective countries. The Government of India which was an active participant at this Conference and also in the Sixth Session of the United Nations Commission on Human Settlements in 1983 in Helsinki, urged for adoption of immediate remedial measures for proper utilisation of the national land resources of respective countries. The Government of India had recognised the urgency of a long term land management policy well ahead of many countries and in the early 1960s a high level committee on Urban Land Policy submitted its report in 1965 urging diversification in the location of the growing urban centres, regional planning with integrated rural-urban development which would ensure mutual interdependence while diversifying the occupational pattern

\*The views expressed in the paper are those of the author and do not represent the views of the government or any other agency.

of rural areas to reduce the tremendous pressures on the rural land which were affecting its productivity.

The founding fathers of our Constitution had clearly spelled out in that magnificent document the need to ensure the right to live as also social and economic equality for all our citizens. Since independence the need to ensure even distribution of land both in rural and urban areas has been a major concern of the government. In this connection, the Zamindari Abolition Act, abolishing the privileges of large land owners and princes over land and freeing rural labour from bondage, as also the Urban Land Ceiling and Regulation Act fixing a ceiling on owning land in urban areas are some of the revolutionary laws that have been enacted and implemented. It is well recognised that it is necessary to provide serviced land at affordable cost for housing those less privileged at locations nearer to their place of work, instead of allowing them to be pushed out of the core of the cities to the sprawling unauthorised settlements with neither minimum dwelling space nor the basic amenities.

It is, therefore, imperative that the strategy for making available land well in advance free from speculative pressure is ensured in order to achieve optimum utilisation of the entire land mass in the country keeping in view the expected stabilized population level in future.

#### THE GLOBAL URBANISATION PROCESS: DEMOGRAPHIC TREND

There has been a tremendous rise in world population growth and in a quarter of a century, between 1950-75, the world population increased from about 2500 million to about 4000 million. Most of the growth has been in the developing countries with all the attendant consequences of this acting as a brake in attaining the full rewards of progress. During the period 1970-75, the annual population growth rate in the less developed regions has been almost three-times in comparison to the more developed ones, as shown in Annexure I, which also indicates that even the rural population in some of the less-developed regions grows with greater speed than does the urban population in some of the more-developed regions where the rural population is declining. Another demographic factor is that if we take all the less-developed regions together, the population gains in urban areas are still exceeded by those in rural areas, the gains amounting to 143 million and 167 million respectively.

The trend of urbanisation in different regions of the world in the period 1950-75 shown in Annexure II indicates that during this period the urbanisation level in the more developed regions advanced from 53.4 to 69.2 per cent, that is by 15.8 points. In the less developed

regions, it advanced from 15.6 to 27.3 per cent, that is by 11.7 points. However, urbanisation in the less-developed regions should be judged as progressing more rapidly because the initial percentage level was much lower.

Comparative trends in the growth of population in urban-rural areas of India are indicated in Annexure III from which it will be seen that there is uniform increase in the 'per cent variation' of total population and urban population from 1961 while there is decrease in the percentage of rural population from 1971, with an accelerating urbanisation process.

The total urban population in India was 25.6 million in 1834 urban areas in 1901. Today there are over 3425 urban areas comprising about 156.2 million urban population which is 23.70 per cent of total population as against only 11 per cent urban population in 1901. Thus, the total urban population in India has increased by about six times, somewhat most unevenly as shall be explained later.

#### SHELTER PROBLEM IN INDIA—ITS QUANTITATIVE AND QUALITATIVE DIMENSIONS

A majority of our population before independence had been subjected to exploitation and had been deprived of basic living amenities and the needs of life. Since then, sincere efforts are being made for having adequate institutional support by creating the right type of institutions with skilled personnel and larger allocations are being made to tackle shelter problems on a war footing.

Food, clothing and shelter constitute the most important basic necessities for existence. While the first two problems have been effectively tackled, providing shelter to the poor millions still remains a challenging task. Annexure IV indicates the growing housing shortage in India during the period 1971-85 in spite of many positive steps taken by the Union Government and the various state governments.

Although the estimated housing shortage at the commencement of the Seventh Five-Year Plan would be more than 18 million dwelling units in the rural areas, an equal amount of attention would have to be given to mitigate the housing shortage of over five million dwelling units in the urban areas.

The grim housing situation prevailing in different states some time ago can be seen from the statewise estimates of housing shortage shown in Annexure V. In addition to this quantitative dimension, the quality of the existing housing stock in terms of adequacy of dwelling space, drinking water and sanitation facilities needs considerable improvement, as shown in Annexures VI, VII and VIII.

There is, however, no room for despondency. Considerable efforts for meeting the challenge of rectifying the tremendous deficiencies have been made. In the urban sphere, it may be seen that over 50 per cent of the population live in one-room units and another 26 per cent in two-room units. The situation is no better in the rural areas.

The latest picture with regard to position of low cost housing and shelter as well as drinking water facilities is available at Annexures IX to XI. During the Sixth Five-Year Plan period, as against 2.31\* lakh villages identified for providing potable water within a radius of 1.6 kms., or having deficiencies in water quality due to excessive salinity or polluted by toxic chemicals, it is expected that by the end of the Sixth Five-Year Plan period in early 1985, over 2 lakh villages are likely to be provided with safe drinking water facilities and all efforts will be made to cover the entire country during the Seventh Five-Year Plan period. As regards housing, the Government of India initiated a rural housing-cum-construction scheme in 1971 with a view to provide shelter space and financial assistance for development of sites and construction to the rural landless poor. It was estimated that 14.5\* million families would get such assistance. At the beginning of the Sixth Five-Year Plan, it was estimated that 6.8 million families were to be given house sites as 7.7 million had already been covered upto 31st March, 1980. So far 4.8\* million families have been provided with house sites during the current Five-Year Plan. In addition, the various state governments have provided construction assistance to those families who have been given house sites numbering 1.6 million during the same period. The Sixth Five-Year Plan also envisages to provide houses to economically weaker sections in the urban areas to assist in solving the shelter problem of the economically weaker sections of the population who are in the cities. Various state governments have been able to provide so far nearly 7 lakh\* such houses to economically weaker sections of the urban population. In addition to this, the (HUDCO) Housing and Urban Development Corporation, which is an apex public sector organisation of the Government of India, is providing for various shelter programmes throughout the country and has provided financial assistance for construction of over 2 million dwelling units to the various housing and urban development agencies.

India is committed to the fulfilment of the objectives of the International Year of Shelter for the Homeless—1987 in pursuance of the decision taken in the 37th Session of the General Assembly of the UN Organisation. During the Seventh Five-Year Plan period, at least 17 million dwelling units would need to be constructed and

\*Monitoring Division of the Housing and Human Settlements Division, Ministry of Works and Housing, Government of India.



another 13.8 million in four years thereafter. Thus, all possible efforts are being explored to facilitate the provision of shelter for each citizen and his family in our country living in what could well be termed as the shrinking planet.

The approach paper to the Seventh Five-Year Plan has enunciated the strategy to meet the housing shortage for the millions which today is one of the most important felt needs of the poorer sections of the population with direct impact on achieving the improvement in health, family planning and education.

#### LAND DIMENSION OF SHELTER PROBLEM

Land is a critical issue under shelter programmes and if serviced land at economical cost at desirable locations is made available with security of tenure, it will ease many of the problems. However, due to rapid growth of population throughout the developing world including India, the availability of land per capita is dwindling at a very fast pace. In Annexure XII, the overall density of population in some of the countries in the Asia and Far-East is shown. From a perusal of this, it will be seen that the average overall density in India is one of the highest except the Island States, like Hong Kong and Singapore.

The situation in our country regarding population increase and the per capita availability of land during the period 1901-81 is shown in Annexure XIII indicating diminishing per capita land area availability with the passing of every decade. This underscores the importance of intensive use of the available land to support the shelter programmes for the economically weaker sections of the society.

The entire shelter strategy is, therefore, dependent on the scarce commodity of land. Land is not merely a means of providing shelter, but has to be viewed as a vehicle of planned development and economic growth. The optimal location of industries, the creation of new growth centres including 'urban' areas with both rural-urban characteristics, regeneration, expansion and proper utilisation of existing human settlements are, therefore, prime needs for the next two decades if we are to combat the challenge.

In any national policy on human settlements, the linkage between the national economic planning and a national land management policy cannot be ignored.

A successful land development policy is a pre-condition for giving a boost towards fulfilling the housing needs. Alongwith this, it is necessary that improvements in land tenure systems and physical planning of land resources as also cost-effective investments for infra-

structural facilities with an 'enabling-oriented' housing policy to serve the poor is introduced.

In relation to the needs of the IYSH, it has been enunciated in the Fourth Annual General Conference of UNIDO in Vienna that for promoting the industrialisation process in the developing countries, the construction section plays an important role and the multifarious nature of the typical low income settlements can also be a sector for home based production units for processing of agricultural produce and equipments repair industry, to generate income. The need to promote employment generating activities while planning the various 'shelter' strategies for the future assume all the more importance, keeping in view the large percentage of our population which is still below the poverty line as shown in Annexure XIV. It may be added that the promotion of new human settlements by an intelligent dispersal and fresh location of industrial units by itself would give a big boost to highly labour intensive construction programme and reduce the cost of establishing industry as also ensuring a balanced regional and spatial distribution.

#### TRENDS IN SETTLEMENT PATTERNS

A sound urban land policy should ensure its balanced use for various economic and social activities avoiding regional disparities. However, it is disturbing to note that during this century while the urban population has over-shot the 156 million mark, a good 42.02 million live in the metropolitan cities, i.e., the growth of population of the metropolitan cities (million plus) increased by 28 times while the rest of the urban centres grew only by about six times. Such rapid growth of the bigger cities has created intense pressure on the available urban land in these cities as shown in Annexure XV giving the land use details per 1000 persons in respect of 10 metropolitan cities.

The percentage of land devoted to various uses in some of these metropolitan cities are shown in Annexure XVI. It will be seen that there is a large variation in the percentage of land under residential use in different cities. As supply of land and shelter at a cost affordable by the poorer sections of the society is minimal in most of the cities, the majority of the economically weaker sections of population rely on the informal sector for meeting their space and shelter requirements, leading to the growth of slums and high percentage of slum population in these cities. The slum population in selected cities is shown in Annexure XVII.

The urban growth by size or class of towns in the period 1971-81 is shown in Annexure XVIII. These indicate that the highest growth rate has taken place in the cities having population above a lakh,

while the growth rate in towns having population below 50,000 is comparatively much lower. It is, therefore, necessary to ensure that the smaller towns are made more livable and also that the infrastructural facilities as also the institutional set-up in these human settlements are expanded adequately so that there is no further pressure on the metropolitan cities.

During the Sixth Five-Year Plan, the Government of India initiated a scheme of Integrated Development of Small and Medium Towns with a view to reduce the influx from the rural areas to the metropolis. This scheme is also intended to subserve the rural hinterland. During the same period, about 239 towns were selected and have been given such assistance for infrastructural development like markets, roads, drinking water supply, drainage, and sanitation. Similarly, such low cost sanitation programmes are being undertaken with HUDCO assistance. These efforts are only supplementary to the major sanitation programme which has been embarked upon by the Government to fulfil the targets of the International Drinking Water Supply and Sanitation Decade which aims at achieving coverage of 100 per cent of both the urban and rural population with regard to drinking water supply by March, 1990 and providing 100 per cent of the population in respect of class I cities and 50 per cent in respect of class II cities with sewerage and low cost sanitation facilities aiming at an overall coverage of 80 per cent of the urban population of each state. In the rural sphere, it is aimed to cover 25 per cent of the population with sanitary toilets. These measures will benefit over 71 million people in urban areas and 445 million people in rural areas with regard to drinking water supply. In the sanitation sector, over 113 million persons would benefit in the urban areas and 149 million in the rural areas.

The distribution of villages by population size is shown in Annexure XIX. It will be seen that there is only marginal increase in the proportion of villages having larger population size. For efficiency in utilisation of social and economic facilities, it is desirable that the population of villages should be of optimum size.

The land policy in the country is being directed to provide facilities for dwelling space and space for various activities simultaneously in the urban and rural areas. In this connection, special emphasis has been placed on the shelter needs of the poorer sections of our population through the Minimum Needs Programme and the 20-Point Programme already explained above.

#### SUPPLY OF LAND TO SUPPORT SHELTER PROGRAMME

The settlement patterns described earlier show distortions which

need to be corrected by suitably reorienting land policy, so that supply of serviced and even unserviced land at affordable cost and at suitable location is available to all income groups, particularly for the economically weaker sections of the society to facilitate and encourage the shelter programme for these categories of people. As per the estimate of the Town and Country Planning Organisation as against 43420 sq. kms. of urban land in 1971, the total requirement of land in 2001 could be 55704 sq. kms. which is 1.7 per cent of the total geographical area of the country and implies that about 12.3 thousand sq. kms. of urban land will be required additionally in 2001 AD over 1971 level.

Most of the cities and towns in India are in proximity to agricultural areas and the bulk of the above land for expansion will have to be supplied by conversion of agricultural land. Therefore, it needs to be ensured that every inch of land is utilised properly.

The major obstacle that would be faced for providing shelter to the shelterless would be in the supply of land both in the urban and rural areas with all the consequent pressure of providing services and infrastructure. In order to ensure supply of developed land in a cost effective manner at suitable location, a comprehensive strategy covering the following aspects will have to be adopted in:

- (i) Land Planning,
- (ii) Land Legislation, and
- (iii) Land Management.

#### LAND PLANNING

It has been shown earlier that in our country the per capita land is dwindling very fast and taking the projected population in 1996 it may come down to only 0.36 ha.

The urban population which was 156.19 million in 1981 is expected to increase to 220.73 million by 1996, requiring huge additional land of over 12000 sq. kms. to accommodate the increased population. In order to ensure optimum utilisation of national land resource and cost-effective public investment in various land development projects, the land planning has to be done both at macro and micro levels. There is urgent need for cost-effective utilisation of available land and raising the efficiency of the limited national land resource with the help of scientific national land planning. Many countries like Korea have put out Guidelines for a National Physical Plan with a view to create a reasonable spatial order, to distribute the industrial estates optimally, to check the transfer of farming land into other uses except on inevitable occasions and to enhance the efficiency of public

investment. In our country there has been awareness on the problem created by the depleting forest cover and the 1952 National Forest Policy resolution of the Government of India had recommended that the country should aim at a coverage of one-third of the total land area under forests. Similarly, the Central Land Use Commission was set up to assist farmers to bring about improvement in land and water management considering the ecology, economics, energy requirements and employment generation. It is necessary to look into the national land resources as a whole with reference to the expected stabilized population level and decide the macro-level land use and spatial planning in the form of National Human Settlement Planning duly coordinated with National Economic Planning including location of industries to ensure balanced housing and human settlement development covering the entire country and at the same time enhancing the efficiency of the public investment in various projects. One of the objectives of the above macro level land planning will be to ensure even and balanced location of industrial estates and other economic activities, and to locate and develop supporting human settlements and social facilities such as, education, medical care and so on throughout the country so that there is no scramble for land only in few cities or towns creating artificial increase in land prices in these cities with attendant problems.

The planning regulations governing sub-division of land, public open space, street widths and so on in many of the Master Plans of our cities as also building standards are mostly based on the standards adopted in developed countries (where land availability is much better) instead of relating these standards to the need and affordability of our people and also to the availability of land in the country. This underlines the importance of reviewing the planning regulations, bye-laws, etc., prescribed by various local planning authorities, taking the National Building Code as a guide. Frequently, there is a gap between the development plan of a city and the need of the people. As a result, a mixture of unplanned and spontaneous growth occurs and the planned growth envisaged is confined to only a small percentage of the urban population.

Development plans and building standards, therefore, need to take into account the expected stabilized population in future and the overall availability of the land in the country as a whole, with maximum possible emphasis on intensive utilisation of land, with special requirements for setting up and locating industries, transportation, institutional, commercial or housing needs, the main objective being to utilise the available land for meeting the requirements of different activities on the economic, social, industrial and educational front.

Putting the available land to intensive use to accommodate as many households as possible, will also have the following beneficial effects on the shelter programme:

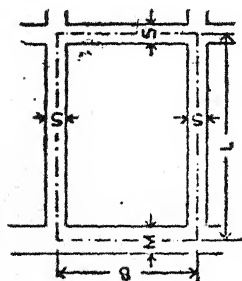
- (i) Demand of larger number of people could be satisfied with the same area of available land which will also reduce speculative pressure on price of urban land.
- (ii) Need for acquiring the rich agricultural land in the city and nearby would be reduced with beneficial environmental impact.

At the micro-level, the planning process should consider the following steps :

- (i) An attempt should be made to achieve as high plotable land percentage with judicious selection of planning standards and planning techniques.
- (ii) Encouraging group housing/apartment housing with adequate density and Floor Area Ratio keeping in view the ultimate growth of the city and the environmental considerations of parks, children's play-grounds and the like.
- (iii) Adequate plot density and population density should be achieved in each development area.
- (iv) The existing low density areas in various cities should be identified and densification to a desirable level should be permitted.
- (v) The different housing agencies should give more emphasis on supply of small dwelling units for comparatively low income households and thus ensure in this process the objective of maximising the coverage with the given quantum of land and fund.

It is not necessary to go for high rise construction to achieve higher density as normally believed. The variation of dwelling density with the number of storeys is shown in Fig. I which indicates that after 4 or 5 storeys there is only marginal increase in density unless the open space is drastically reduced.

High rise construction is not only costly but is also high energy consuming, which is a disadvantage. The relationship between the dwelling density in terms of number of dwelling units per hectare with the number of floors (when the Floor Area Ratio and the semi-public area per dwelling unit are fixed as shown in Fig. II) it will be seen that the dwelling density goes on increasing with the increase in number of



### MODULE PARAMETERS

$B = 6.0 \text{ m}$   
 $L = 12.5 \text{ m}$   
 $M = 5.9 \text{ m}$

### REFERENCES

Curve Type	SFA shown
—	10 m <sup>2</sup> /d.u.
- - - -	20 m <sup>2</sup> /d.u.
—	40 m <sup>2</sup> /d.u.

PLA for each case is indicated on respective curve.

For key to notation see text

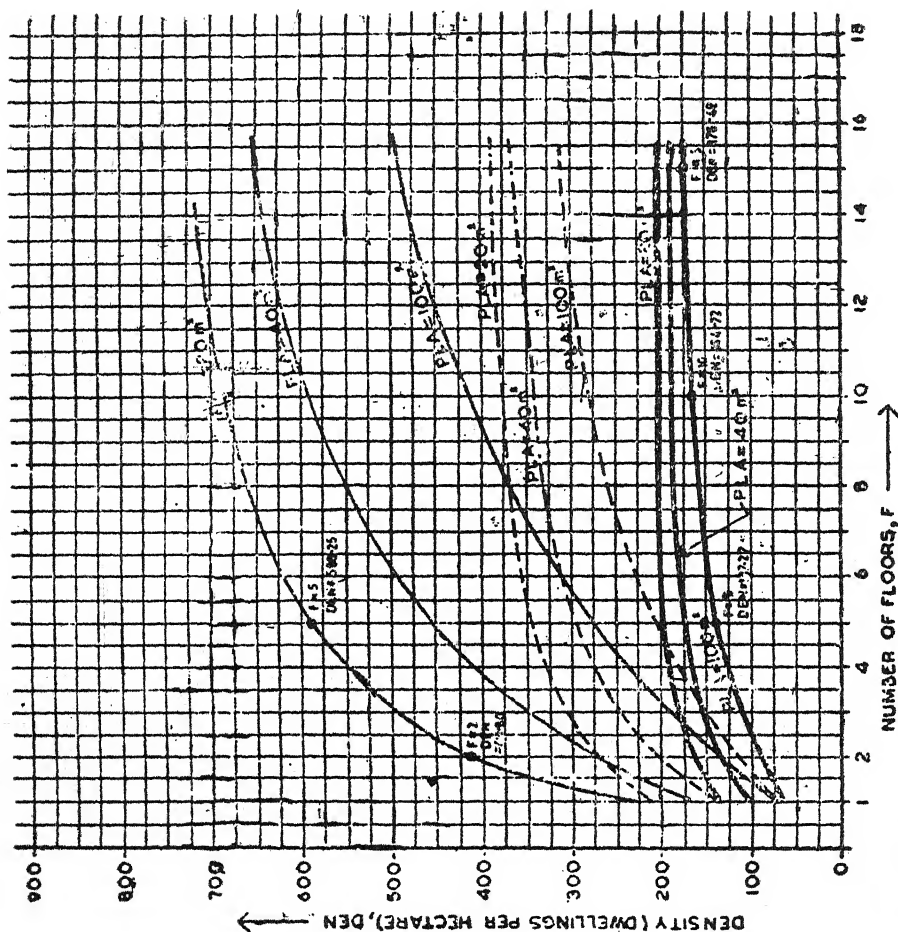
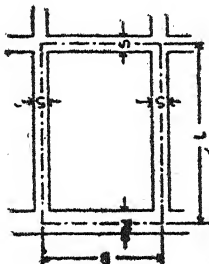
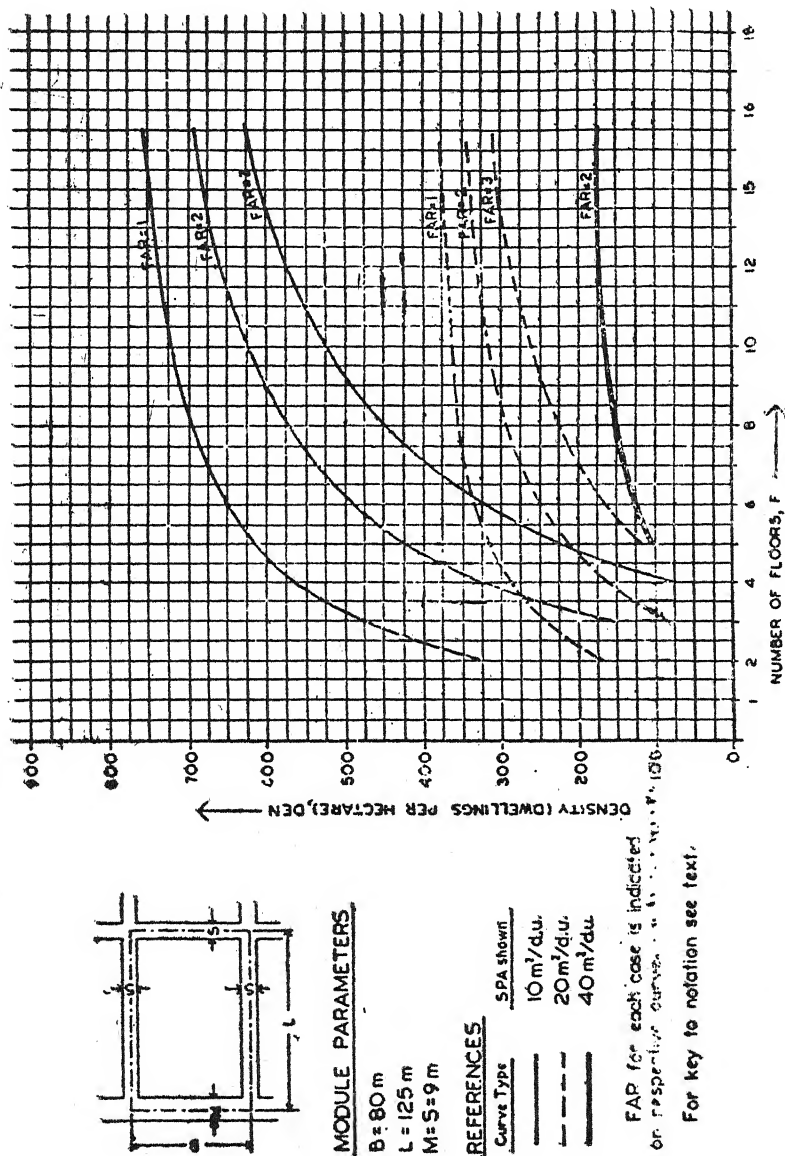


FIG. 1. SENSITIVITY OF DENSITY TO NUMBER OF FLOORS



## MODULE PARAMETERS

**B-280m**

 $L = 125 \text{ m}$ 
$$M=5=9\text{ m}$$

## REFERENCES

Curve Type	SPA shown
_____	10 m <sup>3</sup> /d.u.
_____	20 m <sup>3</sup> /d.u.
_____	40 m <sup>3</sup> /d.u.

FAP for each case is indicated  
on respective curve. "b.b.b.v."

For key to notation see text.

FIG. 2. SENSITIVITY OF DENSITY TO NUMBER OF FLOORS AND FLOOR AREA RATIO



floors reaching a saturation level after a number of floors.

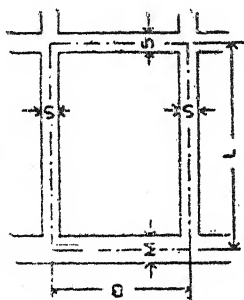
Fig. III shows that higher the FAR the higher is the plinth area available per dwelling unit, for the same number of floors, which results in a decrease of dwelling density when the number of floors remains constant as shown in Fig. II. Therefore, if allowable FAR is increased, the standard of open space would have to be reduced with great care when an increase in dwelling density is intended. The building form should be decided considering all these aspects for optimising the dwelling density.

In the past, very few techniques or research studies were available in India or abroad in the field of scientific analysis of land subdivision to help professionals to evaluate various alternatives in a shelter project before taking a decision. Due to this reason in the conventional practice of physical planning, the efficiency of land utilisation is judged by preparing individual site layouts, infrastructure designs, etc., which is not always cost-effective or ensures intensive utilisation.

HUDCO has developed various mathematical planning models linking land use and cost parameters with the physical design parameters which can also be converted into computer programmes permitting analysis of innumerable design solutions in no time and thus help a planner in arriving at optimum solution with emphasis on more intensive utilisation of land rather than accepting deficient land use and density structure after few trials. The computer based model developed by HUDCO provides to a physical planner a very quick control mechanism so that values of different design variables contributing to the land utilisation and density could be changed for achieving desired planning objectives of more intensive utilisation of land. During the planning process, a planner can get instant feedback and can choose a new set of various value by changing the element or elements for achieving improved results. This process is very helpful for preparing and designing lay-outs to give land utilisation density changes. These methods could be used for optimum utilisation of land and to ensure developed land at reasonable cost to support the shelter programme for the needy.

#### LAND LEGISLATION

A distinct change has to be made in the visualisation of land in its social context and the national land policy as well as the instruments for implementation of the policy such as, land legislation and management should also have social content to ensure equitable



**MODULE PARAMETERS**

D = 60 m  
L = 125 m  
M = 5 = 9 m

**REFERENCES**

Curve Type	SPA shown
—————	10 m <sup>2</sup> /d.u.
—————	20 m <sup>2</sup> /d.u.
—————	40 m <sup>2</sup> /d.u.

FAR for each case is indicated on respective curve.

For key to notation see text

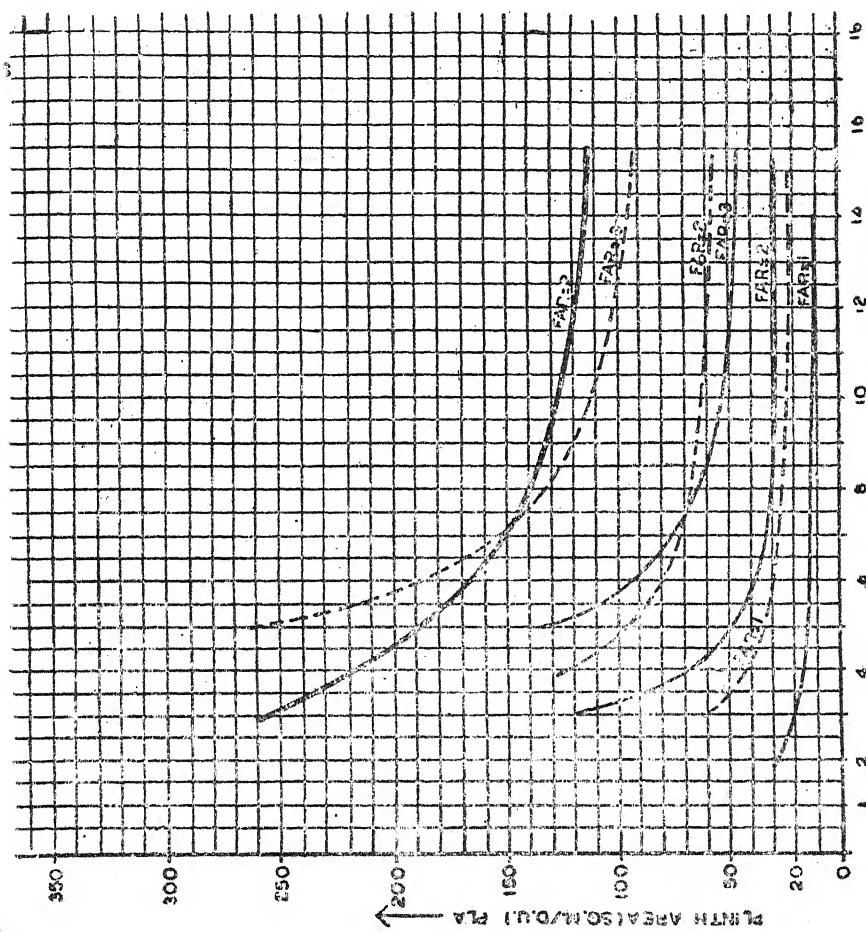


FIG. 3. SENSITIVITY OF PLINTH AREA TO NUMBER OF FLOORS

distribution of benefit to all. In the context of providing shelter to the shelterless, the question of land can no longer be viewed only in physical terms, as a living space and area. The approach to the problem of finding solution to the land has to be multi-dimensional in nature.

The acquisition and ownership of land was always viewed traditionally as source of power and authority in the form of individual rights and interest over land. In the recent past, there has been a major change in the emphasis and not only has there been public control but government has acknowledged its role and responsibility in the 'shelter' programme.

In this country shortly after independence, there had been a series of historic legislations both for tackling problem of land in rural and urban areas. Beginning with the abolition of 'Zamindari' as early as 1948, a number of progressive and innovative legal measures have been taken.

The Land Acquisition Act 1894 is an old law giving the government necessary teeth to acquire and take over land for public purposes. The Act has undergone several changes through amendments in various states. However, the operation of this Act for present day need requires to be looked into due to the long delays involved. For example, in Delhi alone over 74,000 acres of land was notified by December 1951. Unto January, 1982 about 49,000 acres were acquired and Delhi Administration transferred 45,000 acres of land to the DDA. 4000 acres of acquired land could not be taken possession of because of unauthorised occupation and litigation. About 25,005 acres is still under notification. There are over 1.92 lakhs households in Delhi, and 15 per cent of the population of the city is in unauthorised occupation of land.

#### LEGISLATIVE HISTORY

The history of legislation of acquisition of land has started from the Bengal Regulation Act I of 1824 and it applied to those provinces which were subject to the dictates of Fort William, the Headquarters of the Presidency of Bengal at that time to enable the officers to obtain land or other properties for building roads, canals or other building purposes. Several Acts, such as the Building Act XXVIII of 1839, and the Bombay Act DLII of 1850 granted the status of public works within the meaning of the regulation to the railways to enable land acquisition to be done for purpose of construction of railways. A major enactment was the Bill of 1857 of Government of India in which it made provision both for acquisition and for compensation. The Act was further amended by Acts II of 1861 and XXII of 1863 wherein

compensation by arbitration was provided for. This system did not prove adequate and another Act X of 1860 was passed which gave powers to the Civil Courts and laid down detailed procedure of acquisition of land and for determination of land compensation. The Land Acquisition (Mines) Act, 1885 was also passed which mainly dealt with compensation and not acquisition of land acquired from mine owners.

Under the Government of India Act of 1890, provinces were given powers to legislate the Acts. After adoption of the Constitution in 1950, the Act was applicable to whole of India except Part B states which had their own Acts in this respect. Even today, the Land Acquisition Act 1894 does not apply to Jammu & Kashmir.

Besides these Acts and those passed by the then princely or Part B states, there are number of other Acts which deal with acquisition of land both of the Union and states. Apart from the land acquisition Act, there are several other Acts including Town and Country Planning Acts, Town Improvement Acts, Building Improvement Acts, Housing Board Acts and Land Development and Planning Acts of each state which provide for requisition and acquisition of property and also compensation under different provisions.

Under the Constitution Entry 33 of List 1 of the Union List, the Seventh Schedule allows acquisition or requisition of property for the purpose of Union and Entry 36 of List 2 State List allows acquisition or requisition of property for the purpose of Union subject to the provision of Entry 42 of List III. In this, the Constitution (7th Amendment) Act, 1956, the powers to acquire land is now vested with the State Governments by means of orders issued under Article 252(1) of the Constitution and as such today, the state governments can acquire land for the Centre as well for themselves and also for providing land for the purpose of housing and shelter purposes.

In order to control speculation and mopping up supply of land for shelter programmes, the Urban Land (Ceiling and Regulation) Act 1976 was passed in the states of Gujarat, Haryana, Andhra Pradesh, Karnataka, Maharashtra, Orissa, Punjab, Tripura, Uttar Pradesh, West Bengal and all the Union Territories. It was later adopted in the states of Assam, Bihar, Madhya Pradesh, Manipur, Meghalaya and Rajasthan. The Act operates over 42 urban agglomerations. Only about 5,724 hectares of excess land have been acquired and over 60,000 hect. of land have been granted exemption.

#### *Tenure Systems*

No question of land in today's context could be complete without a discussion on the tenurial situation.

It is a noticeable feature of all such areas which have been broadly

classified as 'slums' that there is a wide variation in the dwelling space and in the facilities with the majority living in abysmal poverty. It is now recognised that the improvement of physical condition of the housing stock and the surrounding environment in slums could be achieved by encouraging self-help by the residents and providing common facilities such as roads, electricity, water supply, sanitation and drainage by the public authorities. However, in order to give the necessary teeth, this could go hand in hand with employment generating programmes by encouraging small producers in the informal sectors including the building material and construction sector.

However, it is essential to provide security of tenure as a pre-requisite which would also act as an incentive for the slum dwellers to contribute their own resources to improve their homes. In this context the public ownership of land and enacting of suitable statutes to confer tenure to slum dwellers even in privately owned land is essential.

In this connection, the West Bengal Homestead Acquisition Act of 1976 has been a step in the right direction which provides for conferment of tenure on persons who are able to produce evidence of occupation for a certain period of time irrespective of the ownership of the land. The role of Civil Courts in conferring benefits of tenure through expensive legal mechanism needs to be given a fresh look on a national scale. The need to simplify is equally applicable with regard to planning laws, land use regulations and building standards and bye-laws with a view to encourage the construction of houses and dwelling units with the least checks.

#### LAND MANAGEMENT

To achieve the social and economic objectives, it is not enough to have the planning techniques and legislation but also efficient land management and shelter programmes by the implementing agencies. Though there are a number of local bodies in the country both in the metropolitan and in the other cities, most of them are not financially viable and thus not in a position to do anything else except maintaining the minimum services. It is necessary that these local bodies are financially strengthened so that they can deliver the basic services and they become intermediary agencies specially for promoting economic growth and development of the towns. However, their efforts are supplemented by setting up the development authorities in the country. At present, there are about 60 urban development authorities in the country, mostly in the metropolitan and class I cities.

### *Institutional Management*

The performance of the implementing agencies in achieving the socio-economic objectives with relation of developed land supply particularly to the poorer sections of the society is not uniform. A study of programmes of the development authority in New Bombay indicates that expenditure on public housing and on industrial estates constitutes less than 50 per cent of the total expenditure of providing infrastructural requirements in other fields such as water supply and sewerage.

The New Bombay area is expected to be a metro centre catering to a population of 2 million and it is expected that every year approximately 20,000 houses would be constructed to cover the needs of one lakh population.

A large part of the expenditure on land development of New Bombay has mainly been financed by the sale of land. The CIDCO has also provided various other services like construction of roads, water supply and sewerage system and sewage treatments plant, street lighting, and construction of bus terminals and also done large scale land reclamation. The total expenditure would be about Rs. 2,000 crores at an annual rate of Rs. 100 crores per year.

High costs of providing infrastructure in metropolitan areas in terms of water supply and sewerage, communication, public housing and additional cost of land is still worth pondering. It seems that with considerable less expenditure greater facilities could be made available if this investment in human settlement was utilised in small and medium towns having potential for easy upgradation of the existing infrastructure in these towns.

As already pointed out there are nearly 60 development authorities. However, as against 3245 urban centres as given in Annexure XX ranging from the four Jumbo metropolises to the small towns of 5000 population, there are a total of 2600 urban local bodies, out of which 770 are municipalities and 839 are town area authorities. The statewide distribution of urban local bodies in India is shown in Annexure XXI. It goes without saying that it is necessary to strengthen these bodies institutionally and to augment their resources so that they can actively participate in the process of planned development for the rejuvenation of these areas.

The break-up of the per capita ordinary expenditure in the various urban authorities can be seen in the Annexure XXII.

### *Control of Land Prices*

Over the past two decades, the land prices in the urban areas in the country have increased by about 40 to 60 times. A survey was conducted and the results which indicate the minimum percentage increase

in land value in urban areas between 1950 and 1965 as shown in the Annexure XXIII. The survey reveals that price of land in Gauhati rose by about 4900 per cent. The remaining cities which registered significant increase are Hyderabad, Trichur, Cuttack and Calcutta where the percentage increase was between 900 to 1900 per cent.

In Delhi in 1972, the market value of land per square yard for residential purpose was assessed at Rs. 150 for area like Kutab Road and Khan Market. Rs. 100 per sq. yard for Baird Road, Rs. 2000 in Barakhamba Road. The commercial rate was Rs. 200, Rs. 150 in Sunder Nagar and Golf Link and Jorbagh. It was as low as Rs. 60 for Kalkaji. In 1974, a revised schedule of rate was issued as follows:

<i>Colonies</i>	<i>Residential rate (Rs.)</i>	<i>Commercial rate (Rs.)</i>
Baird Road	150	300
Barakhamba Road	300	1000
Defence Colony	200	400
Khan Market	175	350

In 1976, the rates were as follows:

Baird Road	600	3000
Barakhamba Road	600	3000
Khan Market	600	1800
Defence Colony	600	1800
Kalkaji	400	800

In 1981, the rates were further revised for these areas as under:

Barakhamba Road	2000	10500
Baird Road	2000	10500
Khan Market	2000	6000
Defence Colony	2000	6000
Jor Bagh	2000	6000
Sundar Nagar	2000	6000

Even in places such as Tilak Nagar, Timarpur, the minimum rates for residential areas are Rs. 800 and commercial rates are Rs 1600. These are officially announced rates. The real market prices would be much higher. It would thus be seen that even high income groups would find it difficult to buy a plot of land in metropolitan cities like Delhi.

It is, therefore, necessary that the institutional set-up would have to be strengthened. It would require fundamental change. This would include the question of ownership of land public or private and issues such as increase in land value, unearned income, and development benefits. Although public sector ownership of land has given rise to a considerable level of house building activities, it is debatable whether the same should not be supplemented by involving more target groups to contribute their own resources to the housing sector through cooperative societies. There is, however, no doubt that widespread public control has to be introduced over the land development as the traditional system has been heavily weighed in favour of the very affluent. It is also essential that the programme of large scale land acquisition and its subsequent management should be undertaken by the public agencies.

Another method which has achieved considerable success in Japan, Korea and other countries of the Pacific is through Land Readjustment Programme (LRP) which is called 'Tochi Kuka Kuseri' in Japan in which the original owners of acquired land are compensated by providing them back a portion of the serviced land, for further housing activity. The remaining land is used by government for either public purposes or for various community facilities. In this process, government saves considerable amount of money and reduces delays due to litigation and also reduces the hardship on the individual occupant of the land. In this method although the land owners have to pay the project costs and public-use land by giving up some portion of their land, most of the created value increments of land are returned to the land owners and as a result it does not always serve low income households, as revealed by the Korean experience. In order to achieve better result in our country, it is necessary to modify the method to make it socially oriented, rather than 'land-owner oriented' taking into account the Indian conditions. In fact some of the agencies in our country have adopted a modified version of LRP method by providing serviced plot to the original land owners instead of paying compensation in cash for the raw land. Efforts in this regard need to be enlarged, keeping in view the fact that the supply of land will be a major hurdle in implementing the shelter programme in the future.

By the above methods, and through advance purchase of land, the public agencies could create well in advance 'land banks' in all urbanisable areas identified as per the National Human Settlement Plan discussed earlier so that supply of land is assured at reasonable cost fitting with the implementation programme of the development plans to serve particularly the poorer sections of the society free from speculative increase in the price of land.



## CONCLUSION

With the increase of demand for land both in the rural areas as well as in the urban areas and the larger cities growing at the fastest rates ever recorded in the present century, the scramble for urban land among various competitive land uses has intensified giving rise to distortion and speculation in land affecting seriously the shelter programme particularly for poorer sections of the society. A sound land policy must ensure its balanced use and supply of the available land to serve the shelter needs of the poor. The development of urban and rural settlements must go hand in hand.

In order to ensure the above objectives, there is need for preparing of a national human settlements plan incorporating the measures for the distribution of population, employment potential, infrastructure and housing as well as the mechanism to control the growth of settlements to optimum level. Coordination with the national economic plan including location of industries to ensure balanced housing and human settlement development covering the entire country and at the same time enhancing the efficiency of public investment in various projects would need to be maintained. In addition to the above macro level land policy, there is need for micro level land planning and management as discussed in the paper so that supply of land at affordable cost at desirable locations is made available for the shelter programmes for the economically weaker sections of the people with the active participation of the beneficiaries. □

## Annexure I

**RATES AND AMOUNTS OF INCREASE IN TOTAL, URBAN  
AND RURAL POPULATION, 1970-1975, IN MORE-DEVE-  
LOPED AND LESS-DEVELOPED REGIONS OF THE WORLD**

Region	Annual growth rate (per cent per year)			Amount of growth (millions)		
	Total popu- lation	Urban popu- lation	Rural popu- lation	Total popu- lation	Urban popu- lation	Rural popu- lation
More-developed regions	0.86	1.73	-0.97	47.7	65.0	-17.3
Northern Europe	0.41	0.74	-0.54	1.7	2.2	- 0.5
Western Europe	0.58	1.21	-1.40	4.4	6.9	- 2.5
Eastern Europe	0.64	1.81	-0.78	3.4	5.2	- 1.8
Southern Europe	0.72	1.72	-0.66	4.7	6.5	- 1.8
Northern America	0.90	1.53	-1.03	10.5	13.4	- 2.9
Soviet Union	0.99	2.33	-0.92	12.3	17.0	- 4.7
Japan	1.26	2.32	-1.64	6.8	9.1	- 2.3
Temperate South America	1.48	2.13	-1.28	2.7	3.2	- 0.5
Australia and New Zealand	1.83	2.15	0.03	1.5	1.5	0.0
Less-developed regions	2.31	4.07	1.69	309.7	142.7	167.0
China	1.66	3.26	1.20	67.0	29.6	37.4
Caribbean	1.93	3.31	0.73	2.5	2.0	0.5
Other East Asia*	2.15	4.26	0.25	5.7	5.4	0.3
Middle Africa	2.27	5.84	1.23	4.9	2.8	2.1
Melanesia	2.41	8.82	1.56	0.4	0.2	0.2
Polynesia and Micronesia	2.54	4.29	1.77	0.2	0.1	0.1
Western Africa	2.58	5.03	2.06	14.0	4.7	9.3
Middle South Asia	2.59	4.05	2.22	96.1	31.7	64.4
Southern Africa	2.68	3.74	1.82	3.5	2.2	1.3
Eastern South Asia	2.70	4.64	2.18	40.9	14.8	26.1
Eastern Africa	2.74	5.67	2.37	14.7	3.5	11.2
Northern Africa	2.74	4.53	1.65	12.6	7.9	4.7
Western South Asia	2.83	4.77	1.45	11.6	8.2	3.4
Tropical South America	2.90	4.35	0.96	24.2	20.8	3.4
Middle America	3.21	4.43	1.68	11.6	8.9	2.7

SOURCE : United Nations Population Division.

\*East Asia other than China or Japan..

## Annexure II

**PERCENTAGES OF URBAN IN TOTAL POPULATION,  
MILLION-CITY POPULATION IN URBAN POPULATION,  
AND MILLION-CITY POPULATION IN TOTAL POPULATION,  
1950 AND 1975, IN EIGHT MAJOR AREAS AND TWENTY-  
FOUR REGIONS OF THE WORLD**

Area or region	Percentage of urban in total population		Percentage of million-city population in urban population		Percentage of million-city population in total population	
	1950	1975	1950	1975	1950	1975
NORTHERN AMERICA	63.6	76.5	37.9	47.5	24.5	36.3
OCEANIA	64.5	71.8	36.6	37.0	23.6	26.5
EUROPE	54.8	67.2	28.4	31.2	15.5	20.9
SOVIET UNION	39.4	60.5	10.5	16.4	4.1	9.9
LATIN AMERICA	40.9	60.4	22.5	36.9	9.2	22.3
EAST ASIA	16.6	30.7	27.6	36.0	4.6	11.0
AFRICA	13.2	24.4	8.2	22.0	1.1	5.4
SOUTH ASIA	15.5	23.0	15.3	29.7	2.4	6.8
<i>More-developed regions</i>	53.4	69.2	30.5	33.5	15.1	23.2
Australia and New Zealand	78.7	85.5	37.4	39.2	29.4	33.6
Temperate South America	62.8	80.8	34.9	44.6	21.9	36.0
Western Europe	63.2	77.1	23.2	30.7	14.7	23.7
Northern America	63.6	76.5	37.9	47.5	24.5	36.3
Japan	50.3	75.2	27.5	38.6	13.8	29.0
Northern Europe	70.8	75.1	44.8	41.3	31.7	31.0
Soviet Union	39.4	60.5	10.5	16.4	4.1	9.9
Southern Europe	44.9	59.2	25.3	32.6	11.4	19.3
Eastern Europe	42.2	56.6	20.4	19.8	8.6	11.2
<i>Less-developed regions</i>	15.6	27.3	18.4	31.4	2.9	8.6
Tropical South America	36.5	59.3	17.0	38.9	6.2	23.1
Middle America	39.5	57.1	20.3	32.2	8.0	18.4
Other East Asia*	23.2	50.0	33.7	57.8	7.8	28.9
Caribbean	33.0	48.2	20.1	17.4	6.6	8.4
Southern Africa	36.5	46.2	0.0	31.2	0.0	14.4
Western South Asia	23.3	43.7	0.0	30.7	0.0	13.4
Northern Africa	23.2	39.5	19.8	32.0	4.6	12.6
Micronesia and Polynesia	20.6	32.1	0.0	0.0	0.0	0.0
Middle Africa	8.1	24.6	0.0	18.4	0.0	4.5
China	11.1	23.5	26.9	31.8	3.0	7.5
Eastern South Asia	13.4	22.1	13.3	34.2	1.8	7.6
Middle South Asia	15.6	21.1	18.0	27.6	2.8	5.8
Western Africa	9.6	18.5	0.0	9.7	0.0	1.8
Melanesia	2.0	13.7	0.0	0.0	0.0	0.0
Eastern Africa	5.3	12.3	0.0	7.7	0.0	0.9

SOURCE : United Nations Population Division.

\*East Asia other than China or Japan.

## Annexure III

TRENDS IN THE GROWTH OF POPULATION IN INDIA  
1901-81

Year	Population (In Million)			Per cent Variation		
	Total	Rural	Urban	Total	Rural	Urban
1901	238.40	212.8	25.60			
1911	252.09	226.49	25.60	+ 5.74	+ 6.43	0
1921	251.32	223.62	27.70	— 0.31	— 1.27	+ 8.20
1931	278.98	245.98	33.00	+11.01	+10.0	+19.13
1941	318.66	275.06	43.60	+14.22	+11.82	+32.12
1951	361.09	299.49	61.60	+13.32	+ 8.88	+41.28
1961	439.23	361.63	77.60	+21.64	+20.75	+25.97
1971	548.16	441.16	107.00	+24.80	+21.99	+37.89
1981	683.81	527.61	156.20	+24.75	+19.60	+45.98

## Annexure IV

## HOUSING SHORTAGE DURING THE PERIOD 1971-85

(In Million)

	Year												
Housing Short- age	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1985	
Total	14.5	16.1	16.6	17.2	17.8	18.3	18.9	19.5	20.1	20.7	21.3	24.7	
Rural	11.6	12.4	12.8	13.3	13.8	14.2	14.7	15.2	15.6	16.0	16.5	18.8	
Urban	2.9	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.5	4.7	4.8	5.9	

## Annexure V

STATEWISE ESTIMATES OF HOUSING SHORTAGE IN  
INDIA (1980 & 1981)

(Figures in '000)

States/UTs	Housing Shortage					
	Rural		Urban		Total	
	1980	1981	1980	1981	1980	1981
Andhra Pradesh	1031	1057	695	725	1726	1782
Assam	2646	2712	208	217	2854	2929
Bihar	3597	3686	109	114	3706	3800
Gujarat	476	488	55	57	531	545
Haryana	—	—	—	—	—	—
Himachal Pradesh	—	—	8	8	8	8
Jammu & Kashmir	203	208	44	46	247	254
Karnataka	756	775	411	429	1167	1204
Kerala	101	104	176	184	277	288
Madhya Pradesh	1463	1499	415	433	1878	1932
Maharashtra	681	698	85	89	766	787
Manipur	—	—	23	24	23	24
Meghalaya	156	160	—	—	156	160
Nagaland	87	89	—	—	87	89
Orissa	634	650	79	82	713	732
Punjab	—	—	60	63	60	63
Rajasthan	382	391	105	109	487	500
Sikkim	—	—	—	—	—	—
Tamil Nadu	287	294	694	724	981	1018
Tripura	112	115	39	41	151	156
Uttar Pradesh	2393	2452	677	706	3070	3158
West Bengal	1021	1046	573	598	1594	1644
Andaman & Nicobar Islands	12	12	2	2	14	14
Arunachal Pradesh	43	44	—	—	43	44
Chandigarh	—	—	27	28	27	28
Dadra & Nagar Haveli	7	7	No Urban Areas		7	7
Delhi	—	—	42	44	42	44
Goa Daman & Diu	13	13	39	41	52	54
Lakshadweep	—	—	No Urban Areas		—	—
Pondicherry	—	—	35	36	35	36
All India	16101	16500	4601	4800	20702	21300

— indicate negligible

## Annexure VI

## PERCENTAGE DISTRIBUTION OF HOUSEHOLDS BY SIZE OF DWELLING UNIT

Size of dwelling unit	Percentage of households					
	Rural		Urban		Total	
	1961	1971	1961	1971	1961	1971
(1)	(2)	(3)	(4)	(5)	(6)	(7)
One room unit	48.12	47.26	53.05	50.10	49.00	47.82
Two rooms unit	26.81	28.47	24.66	26.93	26.43	28.17
Three rooms unit	11.53	12.14	10.29	11.42	11.31	12.00
Four rooms unit	5.96	6.04	5.35	5.71	5.85	5.98
Five or more rooms unit	6.01	6.02	5.76	5.64	5.96	5.94
Unspecified number of rooms	1.43	0.02	0.83	0.07	1.33	0.03
Number of households with details unspecified	0.14	0.05	0.06	0.13	0.12	0.06
All Sizes	100.00	100.00	100.00	100.00	100.00	100.00

SOURCES : (i) Census of India 1961, 1971, Part-IV-B, Housing Tables.  
(ii) National Buildings Organizations.

## Annexure VII

**PERCENTAGE DISTRIBUTION OF HOUSEHOLDS BY  
SOURCE OF DRINKING WATER**

<i>Source of drinking water</i>	<i>Percentage of households</i>		
	<i>7th Round 10/53-5/54</i>	<i>18th Round 2/63-1/64</i>	<i>28th Round 10/73-6/74</i>
(1)	(2)	(3)	(4)
<b>RURAL</b>			
1. Tap	0.30	2.56	4.69
2. Well	70.80	68.08	65.84
3. Tube well, Hand Pumps	3.24	11.15	15.59
4. Tanks, Ponds	13.21	6.45	4.50
5. River, Lake, Canal	12.45	9.35	8.22
6. Others	—	2.41	0.53
7. Not recorded	—	—	0.63
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## Annexure VIII

**PERCENTAGE DISTRIBUTION OF HOUSEHOLDS BY TYPE  
OF LATRINE AND BY FACILITY OF LATRINE, 28TH ROUND  
(10/73-6/74)**

<i>Type of Latrine</i>	<i>Facility of latrine</i>			<i>Total</i>
	<i>For exclusive use of the household</i>	<i>Shared with other house- holds in the same building</i>	<i>For community use and others</i>	
(1)	(2)	(3)	(4)	(5)
<b>URBAN</b>				
1. Flush system	7.17	9.89	3.02	20.08
2. Septic tank system	5.66	6.36	1.90	18.92
3. Services	10.07	13.02	7.16	30.25
4. Others	1.19	0.68	0.69	2.56
5. No latrine	—	—	33.01	33.01
6. Not recorded	0.04	0.05	0.09	0.18
7. All	24.13	30.00	45.87	100.00
<b>RURAL</b>				
1. Flush system	0.16	0.09	0.23	0.48
2. Septic tank system	1.05	0.44	0.24	1.73
3. Services	1.30	0.49	0.71	2.50
4. Others	1.47	0.23	0.58	2.28
5. No latrine	—	—	92.40	92.40
6. Not recorded	0.00	0.00	0.61	0.61
7. All	3.98	1.25	94.77	100.00

SOURCE : National Sample Survey-Sarvskshana, Vol. I, No. 2, Oct. 1977.



**MINISTRY OF WORKS & HOUSING**  
**POINT NO. 10 (B)—ECONOMICALLY WEAKER SECTIONS**

States/UTs.	6th Five Year Plan Target	Target/Achievement position as on 30-9-84											Cumulative achievement	Percent age of the 6th Plan Target				
		<i>This scheme became a part of the revised 20-Point Programme in Jan. 1982</i>																
		1981-82					1982-83					1983-84			1984-85			
		Activ.		Target		%	Activ.		Target		%	Activ.			Target		%	
		Activ.		Target		%	Activ.		Target		%	Activ.			Target		%	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)			(12)	(13)	(14)	
Andhra Pradesh	54000	219101	9100	14826	162.90	220000	4588	2.08	5100	1644	32.23	240159	444.73					
Assam	19333	1237	3232	1619	47.40	3222	2698	83.73	3204	1042	32.52	6596	34.12					
Bihar	68133	4427	11355	7831	68.97	8500	8852	104.14	10000	3847	38.47	24957	36.62					
Gujarat	105267	3820	17546	6974	39.70	15000	6474	43.16	13500	1567	11.60	18835	17.89					
Haryana	41767	1396	2221	2223	100.00	2000	1966	98.30	2300*	124	5.39	5709	13.66					
Himachal Pradesh	21700	—	3616	558	15.43	400	300	75.00	160	Nil	—	858	3.95					
Jammu & Kashmir	—	666	140	110	78.57	100	1362	1362.00	500*	53	10.60	2191	—					
Karnataka	96867	31444	12876	12174	94.54	12900	11372	88.15	10600	1609	15.18	56599	58.42					
Kerala	69333	23632	11555	12750	110.34	25000	12826	51.30	15000	11927	79.51	61135	88.17					
Madhya Pradesh	56267	1181	3500	4355	124.40	6000	5357	89.28	6000	548	9.13	11441	20.33					
Maharashtra	174000	3711	36533	16130	44.20	16050	17884	111.42	15350	2183	14.22	39908	22.93					
Manipur	8133	—	1365	—	—	150	150	100	150	105	70.00	255	3.13					
Meghalaya	5800	EWS Housing	966	88	9.09	25	1	4.00	25	Nil	—	89	1.53					
Nagaland	22233	Not taken up during 81-82.	—	—	—	—	—	—	—	—	—	—	—					
Orissa	25133	2040	21694	16110	74.3	9600	9710	101.14	1500	700	46.56	23560	113.63					
Punjab	87646	332	14611	—	—	1500	2698	179.86	1000	Nil	—	3030	3.45					

Rajasthan	38867	2353	7099	12116	172.08	10404	12652	121.60	11000	2626	23.87	29747	76.53
Sikkim	5833	Not known	50	—	—	46	58	126.10	—	NA	—	58	1.00
Tamil Nadu	157400	42073	15200	17067	112.28	39450	28544	72.35	33702*	15558	46.16	103242	65.59
Tripura	14500	61	69	57	84.90	41	41	100.00	48	39**	81.25	198	1.30
Uttar Pradesh	179033	10076	22946(1)	19292	84.07	27000	20779	76.95	30000	2923	9.74	53070	29.64
West Bengal	90867	152	3000	—	—	3000	166	5.53	3000	2162	72.06	2480	2.72
UNION TERRITORIES													
A & N Islands	2600	152	—	—	—	25	16	64.00	25	Nil	—	168	6.46
Arunachal Pradesh	140000	—	—	—	—	320	250	78.12	—	—	—	275	—
Chandigarh	—	—	—	—	—	3038	Nil	—	3038*	—	Nil	2131	1.51
Delhi	140267	—	8972	2131	—	—	—	—	—	—	—	—	—
Dadra & Nagar Haveli	—	4902	No scheme in operation upto 1983-84										
Goa, Daman & Diu	14500	—	—	—	—	400	278	69.50	400	120	30.00	398	2.74
Lakshadweep	2033	—	—	—	—	170	207	121.76	200	33	16.50	240	11.80
Mizoram	—	—	—	—	—	6(2)	20	333.33	100	Nil	—	20	—
Pondicherry	10867	—	—	—	—	400	248	62.00	1380	34	2.46	282	2.59
	1652379	352756	207646	146411	70.50	404747	149497	37.00	167824	48869	29.11	697493	42.21

\* As reported by State Government Target (Haryana 2500, J & K 200, Delhi 1538 & Tamil Nadu 33,700).

\*\* As on 31.8.84 N.A. Not available (1) As Planning Commission's estimate is 1420. (2) State Government has intimated the target as 20. (3) The total No. of Target for 82-83 has gone up because Planning Commission Estimate for UP is 1420.

## Annexure X

**SIXTH FIVE YEAR PLAN TARGET AND CUMULATIVE  
ACHIEVEMENT AS ON SEPTEMBER 30, 1984**

States/U.Ts.	House Sites			Construction Assistance		
	Target	Achievement	Percentage	Target	Achievement	Percentage
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>States</i>						
1. Andhra Pradesh	11,10,000	13,44,337	121.11*	4,90,000	4,80,496	98.06*
2. Assam	2,30,000	49,325	21.44	70,300	24,340	34.77
3. Bihar	16,80,000	67,714	4.62	6,00,000	40,777	6.79
		10,000				
4. Gujarat	2,00,000	3,74,562	187.28*	1,53,000	1,48,261	96.90*
5. Haryana	1,20,000	89,271	74.39	80,000	7,365	9.20
6. Himachal Pradesh	Neg—	739	—	—	747	—
7. Jammu & Kashmir	10,000	1,524	15.24	5,000	1,535	30.70
8. Karnataka	3,50,000	3,67,695	105.05*	3,00,000	2,43,535	81.17*
9. Kerala	2,70,000	14,053	5.20	90,000	9,288	10.32
10. Madhya Pradesh	3,50,000	1,07,254	30.64	2,78,000	1,80,417	64.89
11. Maharashtra	90,000	1,64,274	182.52*	1,13,000	1,19,001	105.31*
12. Orissa	3,20,000	91,517	28.59	1,28,000	12,049	9.41
13. Punjab	60,000	4,930	8.21	88,000	27,048	30.73
14. Rajasthan	1,90,000	2,95,958	155.76*	2,35,000	94,698	40.29
15. Tamil Nadu	13,20,000	12,13,898	91.96*	4,60,000	1,20,946	26.29
16. Tripura	20,000	24,537	122.68*	13,000	12,756	98.12*
					(upto 8/84)	
17. Uttar Pradesh	3,70,000	5,03,380	136.04*	4,03,000	46,614	11.56
18. West Bengal	60,000	24,372	40.62	85,000	54,303	63.88
<i>Union Territories</i>						
1. A & N Island	Neg.	2,919	114.47*	—	975	—
2. D & N Haveli	—	151	—	—	314	—
3. Delhi	10,000	8,654	86.54	3,000	1,699	56.63
4. Goa, Daman & Diu	—	2,749	—	—	720	—
5. Pondicherry	10,000	7,193	71.93	3,000	7,948	264.93*
TOTAL	67,70,000	47,71,006	70.47	35,97,000	16,35,832	45.47

## Annexure XI

## TARGET AND ACHIEVEMENT IN SIXTH FIVE YEAR PLAN

## Rural Water Supply

State/U.Ts.	Target 1980-85	Coverage 1980-83	Coverage 1983-84	Target 1984-85	Total 1980-85	Balance
1. Andhra Pradesh	8206	5160	1548	1498	8206	Nil
2. Assam	15743	3839	2429	2386	8654	7089
3. Bihar	15194	8375	2781	3700	14856	338
4. Gujarat	5318	1818	1325	1560	4703	615
5. Haryana	3440	885	437	650	1972	1468
6. Himachal Pradesh	7815	3366	830	670	4866	2949
7. Jammu & Kashmir	4698	1027	440	570	2037	2661
8. Karnataka	15456	10469	4892	92	15456	Nil
9. Kerala	1158	274	270+290*	224	768+390*	Nil
10. Madhya Pradesh	24944	17963	3765	2560	24289	655
11. Maharashtra	12936	7919	1977	3039	12935	Nil
12. Manipur	1212	447	170	160	777	435
13. Meghalaya	2927	315	300	400	1015	1912
14. Nagaland	649	229	80	100	409	240
15. Orissa	23616	8795	8062	6759	23616	Nil
16. Punjab	1767	207	165	165	537	1230
17. Rajasthan	19803	10056	3435	2500	15991	3812
18. Sikkim	296	102	76	90	268	28
19. Tamil Nadu	6649	4410	1687	552	6649	Nil
20. Tripura	2800	1349	621	610	2530	220
21. Uttar Pradesh	28505	7401	11554	8800	27755	750
22. West Bengal†	25243	6166	2400	4262	12828	12415
23. A & N Islands	173	61	63	49	173	Nil
24. Arunachal Pradesh	1740	790	350	400	1540	200
25. Chandigarh	—	—	—	—	—	—
26. Delhi‡	99‡	77	12	—	89	Nil
27. Dadra & Nagar Haveli	—	—	—	—	—	—
28. Goa, Daman & Diu	66	38	14	14	66	Nil
29. Lakshadweep	—	—	—	—	—	—
30. Mizoram	214	43	40	30	113	101
31. Pondicherry	118	78	24	16	118	Nil
TOTAL	230784	101659	49748+ 390*	41859	193266+ 390*	37118

\* Kerala—Reported during 1983-84, though covered partially in earlier years.

† West Bengal—Information of coverage under Zila Parishad Programme yet to be furnished for 1980-81 and 1981-82.

‡ Delhi—7 villages found deserted and 3 villages transferred to DDA.

## Annexure XII

OVERALL DENSITY OF POPULATION IN SOME  
COUNTRIES OF ASIA AND THE FAR EAST

<i>Country</i>	<i>Year</i>	<i>Average over-all density (persons per Km<sup>2</sup>)</i>
Ceylon	1963	162
Hong Kong	1966	3,486
India	1971	182
Indonesia	1961	51
Iran	1966	16
Japan	1967	268
Philippines	1969	110
Republic of Korea	1966	297
Singapore	1968	9,000
Thailand	1960	51

## Annexure XIII

## PER CAPITA AVAILABILITY OF LAND (1901-81)

<i>Year</i>	<i>Population (Million)</i>	<i>Land Surface Area per Head of Population (in hectare)</i>
1901	238.40	1.38
1911	252.09	1.31
1921	251.32	1.31
1931	278.98	1.18
1941	318.66	1.03
1951	361.09	0.91
1961	439.23	0.75
1971	548.16	0.60
1981	683.81	0.48

## Annexure XIV

PERCENTAGE OF POPULATION BELOW THE POVERTY  
LINE IN STATES & UT's—1977-78

	<i>Total</i>	<i>Urban</i>	<i>Rural</i>
Andhra Pradesh	42.18	35.68	43.84
Assam	51.10	37.37	52.65
Bihar	57.49	46.07	58.91
Gujarat	39.04	29.02	43.20
Haryana	24.84	31.74	23.25
Himachal Pradesh	27.23	16.56	28.12
Jammu & Kashmir	34.06	39.33	32.75
Karnataka	48.34	43.97	49.88
Kerala	46.95	51.44	46.00
Madhya Pradesh	57.73	48.09	59.82
Maharashtra	47.71	31.62	55.85
Manipur	29.71	25.48	30.54
Meghalaya	48.03	18.16	53.87
Nagaland	4.17	4.11	N.A.
Orissa	66.40	42.19	68.97
Punjab	15.13	24.66	11.87
Rajasthan	33.76	33.80	33.75
Tamil Nadu	52.12	44.79	55.68
Tripura	59.73	26.34	64.28
Uttar Pradesh	50.09	49.24	50.23
West Bengal	52.54	34.71	58.94
Union Territories	21.69	17.96	34.32
INDIA (Weighted)	48.13	38.19	50.82

SOURCE : *Planning Commission: Sixth Five Year Plan, 1980-85, p. 16.*

# Annexure XV

## AVAILABILITY OF URBAN LAND FOR DIFFERENT USES: (1981) HECTARE—PER 1000 PERSONS

Sl. No.	Name of the Metropolitan City	Total Area	Developed Land	Residential	Commercial	Industrial	Parks & Play Grounds	Public/Semi-Public Uses	Roads/ Streets	Vacant Land	Others
1.	Bombay	0.82	0.76	0.23	0.01	0.10	0.03	0.06	0.12	—	0.17
2.	Calcutta (UA)	6.13	3.15	1.68	0.08	0.40	0.07	0.16	0.50	—	0.24
3.	Hyderabad	7.68	6.31	1.06	0.05	0.12	0.14	0.56	0.51	3.02	0.82
4.	Bangalore	4.87	4.47	2.01	0.13	0.42	0.34	0.36	0.18	—	0.99
5.	Kanpur	17.56	6.64	1.67	0.11	0.29	0.17	0.57	0.69	1.52	1.59
6.	Nagpur	18.19	6.78	1.67	0.26	2.19	0.25	0.84	0.36	0.08	1.12
7.	Lucknow	7.99	5.22	1.54	0.09	0.17	0.20	0.87	0.71	1.38	0.25
8.	Jaipur	5.80	5.39	2.01	0.13	0.28	0.12	0.75	0.69	0.57	0.80
9.	Ahmedabad	6.44	4.00	2.55	0.16	0.69	—	0.59	0.31	0.47	3.15
10.	Delhi	2.79	2.70	0.57	0.06	0.04	0.14	0.92	0.51	0.48	—

# Annexure XVI

## PROPORTION OF LAND USES IN METROPOLITAN CITIES

Sl. No.	Name of the Metropolitan City	Developed Land as a percentage of total area	Percentage of Land under various uses to total developed Land						Other Uses	Vacant Land
			Residential	Commercial	Industrial	Parks and Play Grounds	Public and Semi-public	Roads and Streets		
1.	Bombay	92.2	30.6	2.0	13.6	5.0	9.1	16.2	23.5	—
2.	Calcutta (UA)	51.2	53.2	2.8	12.7	2.5	2.5	16.1	7.6	—
3.	Hyderabad	82.2	16.9	0.9	1.9	2.3	8.9	8.1	13.1	47.8
4.	Bangalore	91.6	45.2	2.9	9.5	7.7	8.1	4.2	22.3	—
5.	Kanpur	37.8	25.2	1.7	4.4	2.7	8.6	10.4	24.0	22.9
6.	Nagpur	37.2	24.6	3.9	32.3	3.7	12.4	5.3	16.7	1.2
7.	Lucknow	69.9	29.6	1.8	3.3	4.0	16.7	13.6	4.9	25.9
8.	Jaipur	92.2	37.3	2.5	5.3	2.2	14.0	12.9	14.9	10.7
9.	Ahmedabad	62.2	63.7	4.1	17.4	N.A.	14.8	7.9	7.8	11.8
10.	Delhi	—	42.4	*	6.4	15.0	*	N.A.	36.2†	—

\* Included in others.

† Includes commercial, institutional and government agencies and land under unauthorised colonies.

**Annexure XVII**

**SLUM POPULATION IN SELECTED CITIES**

*(Population in '000)*

<i>Name of the U.A. City</i>	<i>Urban population</i>	<i>Slum popula- tion (estima- ted)</i>	<i>Percentage</i>
(1)	(2)	(3)	(4)
1. Calcutta	9,166	3,240	35.35
2. Greater Bombay	8,277	3,151	38.30
3. Delhi	5,714	1,725	30.19
4. Madras	4,277	1,363	31.87
5. Bangalore	2,914	292	10.02
6. Hyderabad	2,528	538	21.28
7. Ahmedabad	2,515	658	26.16
8. Kanpur	1,688	681	40.34
9. Pune	1,685	298	17.69
10. Nagpur	1,298	440	33.90
11. Lucknow	1,007	391	38.83
12. Jaipur	1,005	157	15.62
All cities with population above two lakhs	42,024	12,934	30.78



## Annexure XVIII

## URBAN GROWTH BY SIZE/CLASS OF TOWNS—1971-81

Size/class of cities/towns	1971			1981			Growth rate 1971-81	Percentage share of population growth 1971-81
	Number	Population (in million)	Per cent	Number	Population (in million)	Per cent		
Million +	9	27.42	25.63	12	42.02	26.90	+ 53.25	29.66
5 lakh to 10 lakh	10	6.68	6.24	28	18.70	11.97	+ 179.94	24.42
1 lakh to 5 lakh	126	26.02	24.33	176	33.57	21.49	+ 29.02	15.34
1 lakh & above	145	60.12	56.20	216	94.29	60.37	+ 56.83	69.42
50,000 to 99,999	178	12.03	11.25	270	18.19	11.65	+ 51.22	12.52
20,000 to 49,999	570	17.46	16.32	739	22.42	14.35	+ 28.41	10.08
10,000 to 19,999	847	11.98	11.20	1048	14.86	9.51	+ 24.03	5.85
5,000 to 9,999	641	4.89	4.57	742	5.64	3.61	+ 15.44	1.52
Below 5,000	150	0.49	0.46	230	0.79	0.51	+ 60.74	0.61
All sizes	2531	106.97	100.00	3245	156.19	100.00	+ 46.02	100.00

SOURCE : Census of India, 1971 and 1981.

**Annexure XIX**

**DISTRIBUTION OF VILLAGES BY POPULATION SIZE,  
1961 AND 1971**

<i>Population size of Village Settlements</i>	1961		1971	
	<i>Number of Villages</i>	<i>Population (in million)</i>	<i>Number of Villages</i>	<i>Population (in million)</i>
Less than 200	178,451 (31.45)	17.82 (4.95)	150,072 (26.06)	15.25 (3.47)
200-499	173,572 (30.59)	57.66 (16.00)	168,561 (29.27)	56.63 (12.90)
500-999	119,167 (21.01)	83.92 (23.29)	132,990 (23.09)	94.41 (21.50)
1,000-1,999	65,383 (11.53)	89.58 (24.86)	81,973 (14.23)	113.16 (25.77)
2,000-4,999	26,565 (4.82)	76.69 (21.29)	36,005 (6.25)	1104.55 (23.81)
5,000-9,999	3,421 (0.60)	22.34 (6.20)	4,974 (0.86)	32.72 (7.45)
10,000 and above	776 (0.14)	12.29 (3.41)	1,358 (0.24)	22.33 (5.09)
TOTAL	567,338 (100.00)	360.30 (100.00)	575,936 (100.00)	439.05 (100.00)

NOTE : Figures in bracket refer to percentage to their respective totals.

SOURCE : Census Reports for 1961 and 1971.

## Annexure XX

NUMBER OF URBAN AGGLOMERATIONS AND  
TOWNS IN STATES, 1971-81

Sl. No.	States/U.Ts.	Class I above 10000		Class II 5000 to 10000		Class III 2000 to 5000		Class IV 1000 to 2000		Class V 500 to 1000		Class VI Less than 500		Class All	
		{		{		{		{		{		{		{	
		1971	1981	1971	1981	1971	1981	1971	1981	1971	1981	1971	1981	1971	1981
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
<i>States</i>															
1.	Andhra Pradesh	13	20	17	30	59	88	76	64	38	28	4	4	207	234
2.	Bihar	11	16	9	19	42	57	57	59	35	23	7	5	161	179
3.	Gujarat	8	13	17	23	37	46	66	76	67	53	5	9	200	220
4.	Haryana	2	11	9	5	14	13	15	24	20	22	5	2	65	77
5.	Himachal Pradesh	—	—	1	1	1	2	5	5	7	9	21	29	35	46
6.	Karnataka	12	17	9	11	38	64	99	100	46	42	26	16	230	260
7.	Kerala	5	8	7	7	40	49	25	17	9	4	2	—	88	85
8.	Madhya Pradesh	11	14	11	28	41	41	72	113	90	104	7	3	232	303
9.	Maharashtra	18	25	16	20	61	81	90	91	58	43	14	16	257	276
10.	Manipur	1	1	—	—	—	2	—	4	4	9	3	16	8	32
11.	Meghalaya	1	1	—	—	—	1	1	1	1	1	—	3	3	7
12.	Nagaland	—	—	—	—	1	2	2	2	—	3	—	—	3	7
13.	Orissa	5	6	1	7	19	23	21	39	30	25	2	3	78	103
14.	Punjab	4	7	8	9	22	28	32	35	30	41	10	14	106	134
15.	Rajasthan	7	11	7	11	31	52	64	98	38	22	4	1	151	195
16.	Sikkim	—	—	—	—	—	1	1	—	—	—	6	7	7	8
17.	Tamil Nadu	16	20	27	37	57	63	86	82	44	37	11	6	241	245
18.	Tripura	1	1	—	—	—	1	4	4	1	2	—	2	7	10
19.	Uttar Pradesh	22	30	20	37	67	85	91	194	80	231	13	82	293	659
20.	West Bengal	5	12	18	21	34	36	39	34	35	20	3	7	134	130
<i>Union Territories</i>															
1.	Chandigarh	1	1	—	—	—	—	—	—	—	—	—	—	11	1
2.	Delhi	1	1	—	—	—	—	—	1	—	4	—	—	1	6
3.	Pondichery	1	1	—	—	1	1	—	1	2	1	—	—	4	4
4.	Andaman and Nicobar Islands	—	—	—	—	1	1	—	—	—	—	—	—	1	1
5.	Arunachal Pradesh	—	—	—	—	—	—	—	—	1	5	3	1	4	6

(Continued)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
6.	Dadra and Nagar Haveli	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7.	Goa, Daman and Diu	—	—	1	3	3	2	1	3	4	5	4	4	13	17
8.	Lakshadweep	—	—	—	—	—	—	—	—	—	3	—	—	—	3
9.	Mizoram	—	—	—	1	1	—	—	1	1	4	—	—	2	6
	India*	145	216	178	270	570	739	847	1048	641	742	150	230	2531	3245

\*Excluding Assam and Jammu Kashmir.

SOURCE: Provisional Population Totals, *Census of India 1981*, Series 1,  
(Paper II).

## Annexure XXI

STATEWISE NUMBER OF URBAN LOCAL BODIES IN  
INDIA AND THEIR COVERAGE

States/U.Ts.	No. of Urban Local Bodies		
	Municipalities	TACs/NACs	Total
(1)	(2)	(3)	(4)
<i>States</i>			
1. Andhra Pradesh	86	—	86
2. Assam	24	38	62
3. Bihar	71	78	149
4. Gujarat	56	1	57
5. Haryana	64	—	64
6. Himachal Pradesh	19	16	35
7. Jammu & Kashmir	3	53	56
8. Karnataka	230	6	236
9. Kerala	46	—	46
10. Madhya Pradesh	206	77	283
11. Maharashtra	226	—	226
12. Manipur	3	28	31
13. Meghalaya	1	—	1
14. Nagaland	—	3	3
15. Orissa	27	64	91
16. Punjab	98	28	126
17. Rajasthan	192	—	192
18. Sikkim	1	—	1
19. Tamil Nadu	110	—	110
20. Tripura	1	—	1
21. Uttar Pradesh	198	442	640
22. West Bengal	95	5	100
TOTAL	1757	839	2596
<i>Union Territories</i>			
1. A & N Islands	1	—	1
2. Chandigarh	—	—	—
3. Delhi	2	—	2
4. Goa, Daman & Diu	10	—	10
5. Pondicherry	4	—	4
TOTAL	17	—	17

### Annexure XXII

#### PER CAPITA ORDINARY EXPENDITURE IN VARIOUS CLASSES OF TOWNS IN INDIA (AT CONSTANT PRICES 1970-71: 100)

<i>Class</i>	<i>1979-80</i>	<i>1974-75</i>
Metropolitan cities	50.0	51.3
Class I	27.1	25.8
Class II	21.3	18.8
Class III	18.1	15.9
Class IV	16.3	13.8
Class V	18.2	14.6
Class VI	22.2	21.7
All Classes	30.7	30.0

### Annexure XXIII

#### MAXIMUM PERCENTAGE INCREASE IN LAND VALUES IN INDIA'S URBAN AREAS DURING 1950-65

<i>City</i>	<i>Central or functionally important areas</i>	<i>Undeveloped areas with municipal limits</i>	<i>Surrounding areas outside Municipal limits</i>
Calcutta	100	900	1,300
Kanpur	400	61	51
Nagpur	220	80	NA
Sholapur	594	400	733
Patna	100	543	900
Indore	NA	NA	NA
Gauhati	1,804	4,900	319
Ujjain	150	260	100
Bikaner	150	300	NA
Kota	4,344	700	NA
Hyderabad	1,567	1,900	300
Trichur	6,844	1,779	—
Cuttack	700	1,100	1,400
Ludhiana*	254	174	1,233

SOURCE : *Yojana*, January 26, 1966, p. 56.

\*Percentage figures for first category relate to increase in values in 1965 over average of 1955-1960 period while for the remaining two categories percentages are for increase in 1965 over average of 1950.

# *Revolving Fund as a Technique of Financing Land Development: A Critique*

GANGADHAR JHA

COMPULSIONS OF providing services and amenities to the increasing population in cities and towns have led to the innovation of new sources and methods of mobilising financial resources by the local authorities. Revolving Fund is one of them. Though traditionally known as a method of financing business operations, revolving fund has become a popular method of financing urban development particularly after its extensive use by the Delhi Development Authority which has exclusively financed land development by taking recourse to this technique on a very large scale. It has revolved the original seed capital manifold indicating substantial resource mobilisation. This has occasionally led to suggesting of its replication for financing development of land in other cities and towns.

Though not a tax, the revolving fund method of financing urban development has also its economic implications in the distribution branch of public finance like any other tax. The indomitable zeal to revolve the seed capital—a major concern of revolving fund—has to be reconciled with the social objectives of subserving the needs of various income groups especially the weaker sections according to their affordability. Thus, like any other tax, it has also to be concerned with the principles of equity and adequacy. The paper, therefore, evaluates resource mobilisation potentialities of revolving fund especially in relation to the distributional objectives. This is done by analysing financing of land development by the Delhi Development Authority (DDA) through revolving fund and its disposal to various income groups during the life span of the first Master Plan for Delhi (1961-81). This requires to have data on the development of land along with investments in its development, total sale proceeds of the developed land and its distribution among the different income groups on the year to year basis. Due to constraints on the availability of data on these, the analysis is based on whatever data could be

available on the operation of revolving fund and the development of land and its disposal in Delhi. This has been supplemented by simulating a model of development and disposal of land through revolving fund in order to comprehend distributional effects of this method of financing land development as also the extent to which distributional objectives and the objectives of revolving the seed capital are reconciled with each other. This is, however, preceded by a brief conceptual description of revolving fund as a financing method.

#### REVOLVING FUND: THE CONCEPT

Revolving fund basically means to revolve the initial working capital in such a way that it yields a handsome return on investment which along with the working capital is again ploughed back with a view to secure increasing return in each cycle of investment. In the jargon of accountancy, it means "a fund from which moneys are continuously expended, replenished and again expended".<sup>1</sup> Utmost consideration in the management of fund is the augmentation of investible resources so that financing of a particular activity is not constrained by the shortage of funds. The initial seed capital goes on yielding increasing return in each phase of investment which when reinvested brings still larger return on investments. The fund thus resolved comes handy for further financial investment.

It should be thus obvious from the very nature of revolving fund that there are a few preconditions for the successful revolving of the initial working capital. Firstly, the fund, in order to be augmented, must be invested in remunerative projects which could yield larger return on the working capital. Secondly, investments have to be made in such projects which have a short gestation period. A long gestation period would keep the capital locked for long and hence investment would become unremunerative as there is an opportunity cost of capital. Thirdly, in order to have a maximum return on investment, a suitable pricing policy has to be evolved for recouping the invested capital.<sup>2</sup> Like a discriminating monopolist, the agency managing the revolving fund has to evolve a discriminating pricing policy of charging a higher price from the affluents and a low price from the middle income group and a price lower than the cost price from the lower income group and the economically weaker sections of society. A larger subsidy for

<sup>1</sup>Kohler, *Dictionary of Accountants*, quoted from J.P. Shah, "Revolving Fund—A Technique for Financing Public Housing Programmes", NBO and UN Regional Housing Centre (ECAFE), *Selected Papers from Symposium on Housing Finance* (Held in New Delhi, on Feb. 1-3, 1965), New Delhi, pp. 102-8.

<sup>2</sup>J.P. Shah, *op. cit.*



the lower income groups would necessitate charging of a very high price from the high income group. However, it is worth stressing that lest a very high price depresses the demand, the subsidy has to be minimum. Promoting this balance in the price structure proves to be the most difficult exercise in the management of revolving fund and generally it does not succeed if a very large proportion of the total population belongs to lower income groups.

The basic concern of revolving fund is thus to maximise return on capital investment for augmenting the investible resources for urban development. The major plank of urban development policy being to serve the needs of the low income group and the economically weaker sections of society, the revolving fund as a method of financing may militate against this objective. In order to gain an insight into this let us now turn to a case study of financing land development in Delhi.

#### FINANCING LAND DEVELOPMENT: A CASE STUDY OF DELHI

Revolving fund was adopted as the method of financing the development of land for implementation of the first Master Plan for Delhi. The Master Plan was basically a land use plan and proposed to develop a total area of 1,10,500 acres of land within the urbanisable limit for 1981<sup>3</sup> including the land which were built up at the time of the formulation of the Master Plan. The new areas to be developed comprised of 30,000 acres for residential use, 4,800 acres for industrial use, 1,900 acres for commercial use, 25,000 acres for recreational use (parks) and 500 acres for government offices. Even before a formal start of the Master Plan's implementation in September, 1962, the Government of India took a positive step to provide a strong policy support for the implementation of the plan by a declaration in May, 1961 of an urban land policy.<sup>4</sup> This is popularly known as the "Scheme of Large Scale Acquisition, Development and Disposal of Land in Delhi". About 50,000 acres of land was notified for acquisition up to October, 1961. A huge quantity of land was thus frozen from private development.

In order to finance the development of land, the Government of India created a seed capital of Rs. 5 crores. This was subsequently augmented to Rs. 12.31 crores. This seed capital was supposed to be revolved by investing it in land development and "As a general

<sup>3</sup>DDA, *Work Studies Relating to the Preparation of the Master Plan for Delhi*, Vol. I, (no date), p. 404.

<sup>4</sup>Government of India, Ministry of Home Affairs, Letter No. 37/16/60-Delhi (i), dated May 2, 1961, addressed to the Chief Commissioner, Delhi.

policy, disposal of developed land" was to be "made by auction" except a few categories which were supposed to be allotted land at predetermined rates. These were: (i) the individuals whose land is acquired, (ii) the individuals in the low income group, (iii) the industrialists requiring to shift the factories from the existing locations, and (iv) the cooperative societies of the prospective house builders, industrialists and manufacturers. Predetermined rate included the cost of acquisition, development and an additional charge ranging from Rs. 3 to 8 per sq. yd. depending upon the size of the plot. A ground rent at the rate of  $2\frac{1}{2}$  per cent per annum of the premium was also supposed to be charged from the allottees. The scheme envisaged to earmark for the low income group a "Suitable percentage of the area developed for private housing by the DDA".

Amendments were further brought into the policy in July 1967 and February 1970. The changes included: (i) allotment of land at predetermined rate even to the middle income group, (ii) a ceiling of 125 sq. yds. and 200 sq. yds. was put on the size of plots to be allotted to the low income group and the middle income group respectively, (iii) reservation in the allotment of land was made for certain categories like the sitting Members of Parliament (5 %), salaried class (50 %), scheduled castes and tribes (15 %), widows and dependents of the defence personnel and the disabled service personnel (15 %), and (iv) the land was to be allotted to the cooperative societies only for the group housing, not for plotted housing.

The seed capital of Rs. 12.31 crores came as a fixed paid up capital without any obligation of its repayment or the payment of interest on it. The fund was located in the Delhi Administration and in order to facilitate its operations a personal ledger account was opened with the Reserve Bank of India in favour of the Housing Commissioner, Delhi Administration. Advances were made by the Government of India in this account from time to time. The modalities of operation of this scheme has been that the Land and Buildings department of Delhi Administration acquired the land and the cost of acquisition was met by drawing the money from the revolving fund. The expenditures made on the development of land was to be drawn by the DDA after obtaining due sanction from the Delhi Administration. On the receipt side, the entire sale proceeds of the developed land was supposed to be credited to the revolving fund. Ground rent, damages, penalties, licence fee, etc., were to be regarded as revenue receipts and hence to be credited to the appropriate major and minor heads of the budget accounts of the Government of India.

The Revolving Fund was thus created to serve as an instrument for mobilisation of financial resources to implement the Master Plan proposals. The seed capital was supposed to be revolved in a manner to generate enough funds so that the public exchequer could not subsequently be subjected to financial pressure for additional funds. The basic idea behind this was to utilise land as resource for generating funds for urban development.

As the development of land under the scheme of Large Scale Acquisition, Development and Disposal of Land in Delhi gathered momentum, the procedure for sanctioning the fund for the development of land to the DDA was thought to be creating impediments for a speedy development of land. It was felt by the DDA that the requisite amount of fund for land development was not flowing smoothly. The crediting of the sale proceeds of land into the revolving fund was, therefore, discontinued in 1966 and the DDA was permitted to utilise it for meeting the expenditures on the on-going projects and to credit into the revolving fund only the surplus receipts.

In 1967 and again in 1969 the scope of the revolving fund was further enhanced for taking up the schemes of construction also.<sup>5</sup> Now onwards the revolving fund was to be used also for the construction of multi-storeyed flatted factories, single-storeyed flatted factories, single storeyed sheds for group industries, warehousing, bus terminals, parking sites for idle trucks and cars, development of district and community centres, local and convenient shopping centres in residential colonies, acquisition and development of land in the Ring Town of Narela and construction of special markets like cycle market, vegetable markets, etc. It is thus obvious from this enhanced scope for investments out of revolving fund that more remunerative schemes were brought within the purview of the revolving fund.

#### *Operation of the Revolving Fund*

The operation of revolving fund during the life span of the first Master Plan is presented in Table 1. The table indicates vividly that in financial terms, the operation of fund seems to be a tremendous success. The seed capital of Rs. 12.31 crores was revolved to about Rs. 206.75 crores representing a resource mobilisation of about Rs. 194 crores. This gives an impressive account of land being utilised as resource for financing urban development. It is this financial turn

<sup>5</sup>Government of India, Ministry of Works and Housing, Letter No. 18011(15) 66-4D (Vol. II) of July 13, 1967; No. 180011(15) 67-4D Vol. (II) of December 18, 1969.

TABLE 1 OPERATION OF THE REVOLVING FUND  
1961-81

Year	(Rs. in lakhs)	
	Receipt	Expenditure
1961-62	83.76	386.33
1962-63	460.56	829.51
1963-64	616.27	749.86
1964-65	693.98	512.50
1965-66	539.89	559.05
1966-67	749.92	668.82
1967-68	999.50	740.96
1968-69	784.62	1026.27
1969-70	702.59	1081.31
1970-71	739.61	911.47
1971-72	809.43	848.47
1972-73	853.39	707.64
1973-74	924.68	789.19
1974-75	680.90	643.50
1975-76	1640.30	1261.20
1976-77	1608.20	1412.40
1977-78	1400.00	1412.70
1978-79	1589.50	1519.30
1979-80	1598.00	1463.30
1980-81	1969.30	2021.80
Seed Capital	1231.00	—
GRAND TOTAL	20675.40	19545.65

NOTE : Figures have been rounded to its nearest digit.

SOURCE : Land and Development Department, Delhi Administration.

over which has generally been lauded and has led to the suggestions of its replication in other Indian cities and towns.

However, it needs to be stressed that the method of financing has to be conceived in relation to the programme objectives so that it becomes an effective instrument for translating these objectives. The objectives of the Scheme of Large Scale Acquisition, Development and Disposal of Land in Delhi were basically two: (i) to control the rise in urban land values, and (ii) to serve the needs of the low income group by reserving "A suitable percentage of the area developed for private housing". A deeper analysis of the development and disposal of land and the trends in urban land values in Delhi does not give such an impressive account of revolving fund as a method of financing land development. Distribution of developed land to the various income groups is presented in Table 2.

It is evident from the table that the high income group (HIG) got

TABLE 2 DISTRIBUTION OF LAND TO DIFFERENT CATEGORIES  
IN DELHI (UP TO MARCH 1982)

<i>Category</i>	<i>No. of Plots</i>	<i>Area (Acres)</i>	<i>Percentage to the total</i>
1. Auction to the High Income Group	9,570	602.7	47.1
2. Alternative Allotment	2,950	138.9	10.9
3. Middle Income Group	5,820	269.6	21.1
4. Low Income Group	14,669	57.2	20.9
TOTAL	33,009	1,278.4	100.0

SOURCE : Commissioner Land, DDA.

the Hon's share (47 %) in the total land allotted to the various categories of allottees. The low income group (LIG) and the middle income group (MIG) got only about 21 per cent each and whose lands were acquired, were given about 11 per cent of the total land allotted in Delhi between 1961 and 1982. In the initial years, for a decade, the distribution of land was heavily skewed in favour of the HIG as is evident from Table 3. It is obvious from this table that between 1961-62 and 1971-72, the HIG got as much as nearly two-third of the total land allotment. The LIG could get only 5.5 per cent and the MIG was allotted 16.5 per cent. The share of the LIG came

TABLE 3 PERCENTAGE DISTRIBUTION OF DEVELOPED AREA TO  
VARIOUS INCOME GROUPS

<i>Year</i>	<i>Total</i>	<i>LIG</i>	<i>MIG</i>	<i>Alternative Allotment</i>	<i>Auction</i>
(1)	(2)	(3)	(4)	(5)	(6)
1961-62	100.0	47.6	52.4	—	—
1962-63	100.0	—	—	—	—
1963-64	100.0	7.1	4.3	—	88.6
1964-65	100.0	8.6	8.7	4.7	78.0
1965-66	100.0	2.3	2.6	4.7	90.4
1966-67	100.0	9.9	3.8	36.4	49.9
1967-68	100.0	4.9	33.9	12.0	49.2
1968-69	100.0	5.7	2.8	33.2	58.3
1969-70	100.0	1.7	35.5	16.2	46.6
1970-71	100.0	0.8	0.9	11.7	86.3
1971-72	100.0	5.5	16.5	14.5	63.5

SOURCE : Government of India, Ministry of Works and Housing, *Report of the Committee of Experts on the Assessment of the Working of Delhi Development Authority 1974-75.*

down to 1.7 per cent in 1969-70 and then to 0.8 per cent in 1970-71. Likewise, the share of MIG in the total land allotment is found to have been fluctuating tremendously.

It is thus obvious that contrary to the policy objectives, operation of the revolving fund has distributed land in favour of the HIG. The objective of controlling and stabilising the land prices is also not found to have been achieved, land values in some localities have gone up more than ten times in a span of 10 to 12 years. Increase of the order of 400 to 500 per cent has been noticed in most of the other localities in a span of 8 years.<sup>6</sup> The method of financing has thus not come handy for effectuating the programme objectives.

In fact, by its very nature, the revolving fund method of financing urban development is not likely to conform to the aforesaid two objectives. The seed capital, if it has to be revolved, must be spent in such remunerative projects which are likely to fetch higher premium at the auction. If spent in the schemes meant to serve the EWS and the LIG, the fund will not be able to be revolved. Thus due to its built-in bias for investing in remunerative projects, the revolving fund method of financing land development results in distribution of land in favour of the affluent. Since the remunerative schemes have to be sold in auction for fetching larger returns, the land values are bound to increase with a rapid pace. The price at the auction later on becomes the notional price for other properties and there is an allround enhancement in land values.

The revolving fund method of financing is thus obviously beset with inherent contradictions for achieving the policy objective of subserving the needs of the EWS and LIG. There is a basic conflict between equity and efficiency (maximisation of return on investment). To quote from a study of Delhi's development:

The point that needs consideration in this context is the wisdom on relying on a financing technique for urban development that automatically allocates the fruits of such endeavour to the privileged sections of the community. Since only 35 per cent of DDA's resources are internally generated, the need for organisational survival would force it to rely on funding techniques (revolving fund) that would monopolize the supply of a scarce product (developed land) which would be sold at a premium. Even if the revolving fund approach is discontinued, the improvement trust approach to urban development tends to have a built-

<sup>6</sup>Gangadhar Jha, "Land Nationalisation in Delhi: A Policy Analysis", *Nagarlok*, Vol. XV, No. 2, April-June, 1983, pp. 9, 36.

in bias against equity and in favour of elitism.<sup>7</sup>

*Cross-subsidy: Is It Feasible?*

It is often suggested that in order to rid this financing method from its elitist bias, investment should be made in accordance with the composition of various income groups and the cost recovery should be made on the basis of cross subsidy. An Expert Committee while assessing the development and disposal of land by the DDA, recommended to reserve at least 50 per cent of the plots every year for the LIG and the EWS and another 30 per cent for the MIG.<sup>8</sup> It is, however, forgotten that EWS and LIG together constitute about 55 to 60 per cent of the total households in urban areas. This category, in any scheme of urban development has to be served on the basis of subsidy. Providing subsidy at such a scale will hardly yield any return on the total investment so that seed capital could be revolved. At least in the initial years the fund, in order to be augmented, has inevitably to be invested in remunerative schemes only. Data on operation of revolving fund in Delhi (Table I) vividly demonstrates this fact. This is so when the pricing policy in Delhi has not at all been based on the concept of cross subsidy though the DDA has repeatedly been giving an impression of allotting the land to the various income groups on the basis of cross-subsidy.

The 1961 policy on urban land which has been the guiding principle for development and disposal of land, itself did not envisage any cross subsidy. It envisaged to allot land to LIG (not the EWS which has been excluded from the scheme of land disposal) and MIG at *predetermined rate* which, besides including the cost of acquisition and development, also included additional charge varying from Rs. 3 to 8 depending upon the size of the plot. This additional charge is obviously in the nature of return on capital and hence an element of profit. Auctioning of land to the HIG on the pretext of subsidising the LIG, therefore, is not justified. Even the LIG has been charged a price which is higher than the cost of development. Relocation of about a million of squatters in about 44 relocation colonies is generally cited as an example of providing subsidy to the EWS. It is, however, worth noting that the relocation of squatters has been financed through a very liberal plan grant and hence is outside the framework of revolving fund financing. Recently, the

<sup>7</sup>Abhijit Datta and B. Chakravarty, *Organising Metropolitan Development* Centre for Urban Studies, Indian Institute of Public Administration, New Delhi, 1981, p. 109.

<sup>8</sup>Government of India, Ministry of Works and Housing, *Report of the Committee of Experts on the Assessment of the Working of Delhi Development Authority 1974-75*, (Mimeographed), no date, p. 66.

Estimates Committee of the Seventh Lok Sabha castigated the DDA in the strongest terms for including several arbitrary additional charges in the 'predetermined rate'. To quote from the report:

Most of these charges are unjustified and unauthorised, arbitrary, excessive, smacking of profiteering, and in violation of enunciated policy tantamounting to looting the public. Expert bodies, who have examined these aspects of disposal of land by the DDA have come to the same conclusion.<sup>9</sup>

Since the concept of cross-subsidy has not been tried in the operation of revolving fund, a hypothetical model has been presented in Tables 1 to 6 in the Appendix to comprehend the possibility of reconciling the principles of equity and efficiency. The model has been developed keeping in view the pattern of income distribution in Delhi where EWS constitutes 17 per cent of the total population, LIG 36 per cent and MIG 32 percent. HIG constitutes only 15 per cent of the total population.<sup>10</sup> An attempt has been made to see whether revolving fund is able to be revolved if land is distributed in the same ratio of these income groups. The cost of development has been taken at the rate of Rs. 340 per sq. mt. which is the reported cost by the DDA in 1982. Earmarking of land for various uses has been done following the norms suggested by the Master Plan for Delhi for a density of 100 persons per acre.<sup>11</sup> Price to be charged from the various income groups and for the different land uses has been worked out on the basis of cross subsidy (Table 2). Commercial land is assumed to be sold in auction at a price which is four times the cost of acquisition and development. Land for institutions and community facilities is to be sold at the cost price (Rs. 340 per sq. mt.). The seed capital has been assumed to be Rs. 5 crores.

With these assumptions, the model reveals that it is not possible to distribute land according to the composition of various income groups. In the first phase (Table 1), the EWS does not get anything because of the fact that if this group is to be catered for the fund would not be augmented for its ploughing back. Gradually, as and

<sup>9</sup>Estimates Committee (Seventh Lok Sabha), *Eighty-Seventh Report*, Ministry of Works and Housing, Delhi Development Authority, Part II, Lok Sabha Secretariat, New Delhi, 1984, p. 29.

<sup>10</sup>National Council of Applied Economic Research, *Techno-Economic Survey of Delhi*, New Delhi, 1973, pp 294-95.

<sup>11</sup>Parks (14%), Roads (12%), Residential (78%) together constitute 84 per cent of the land in a colony and are charged along with price of land; commercial use (1%), Community Facilities (1.70%) and schools and institutional use (13.30%) have been charged separately.



when the funds have been augmented, the EWS and the LIG groups have been given their share in land distribution subject to the paramount consideration of revolving the seed capital in different phases. As is obvious from Table 6, the five phases of land development and disposal ultimately ends up with a modest augmentation in the seed capital (three times increase) and the share of different income groups in the disposal of land has also not corresponded with the pattern of income distribution. EWS which constitutes about 17 per cent of the total population gets only about 10 per cent of the developed land. LIG which constitutes 36 per cent of the total population gets 22 per cent of land and the MIG constituting 32 per cent of the total population also gets 22 per cent of the total land disposed of. HIG, though constitutes only 15 per cent of the total population, gets the lion's share of about 46 per cent of the total land.

The model thus suggests that it is not possible to allot developed land to the various income groups in accordance with their composition in the total population if it has to be based on cross subsidy. The necessity of providing cross subsidy will dictate to give larger share to the HIG. The model, nevertheless, presents a better prospect than the distribution of land to various income groups as actualised in Delhi. It suggests that the possibility of giving subsidy to EWS and LIG could be possible but then the extent of augmentation in the seed capital would be small. This would affect the speed of land development. In five phases in the hypothetical model, only 146.81 ha. of land is possible to be developed with the revolving fund as the financing method. This is chiefly because subsidy to EWS and LIG does not permit the fund to be augmented at a speed as witnessed in Delhi. At the end of each phase, the available working capital is not substantial to embark on the development of larger areas.

#### *Revolving Fund and the Small Towns*

Could the technique of revolving fund be replicated in the small and medium towns for land development? The prospect does not seem to be encouraging. This is mainly because the demand for developed land in these towns happens to be low. The experience of the IDSMT scheme shows that in large number of small and medium towns, developed land has been lying idle because there are no buyers for it. As undeveloped land is available in ample measure at a lower price, the price of developed land becomes prohibitive for the prospective buyers. Even the sites and services plots and the plots meant for the LIG do not find a buyer. Secondly, even if the plots could be sold, the demand being low, sale proceeds of the HIG plots would not be sufficient to provide subsidy to the low income

group and the EWS. The demand for even the commercial land is not so high as to fetch a very high premium at the auction. Revolving Fund would consequently not be augmented. It, therefore, suggests that revolving fund as a technique of financing land development could be a success in the metropolitan and large cities only where the demand for developed land is sufficient to enable the fund to be augmented.

### CONCLUSION

Revolving fund has been a well known and a popular technique of augmenting financial resources in business transactions. Its use in financing urban development has, therefore, brought with it also its built-in bias for channelisation of investments in remunerative and profitable schemes. The preponderance of a large segment of low income groups in Indian cities and towns, however, creates problems of equity if the technique for financing urban development happens to be revolving of the seed capital. By distributing the fruits of urban development in favour of affluents it militates against the objective of serving the needs of the urban poor. It creates a basic conflict between equity and efficiency. Though it is possible to provide subsidy to the lower income groups but then the return on investments would be too small to embark upon an ambitious plan of massive development of land for the various income groups. What could then be the method of financing land development?

If the financing method has to conform to the policy objectives and has also to serve as an instrument for translating them, other options have to be explored and examined. In order to reduce the extent of subsidy and enable the LIG and the MIG to afford the price of developed land, the norms and standards of development shall have to be reduced. This coupled with the development of commercial and other remunerative schemes could increase the return on capital investments which could be further ploughed back for development of new areas. Working capital itself could be augmented by way of mobilising certain proportion of land premium as advance deposit for land development.

Another alternative worth exploring could be the practice of land readjustment for financing the development of land. It enables financing of land development without drawing on the public funds and has been extensively used in Korea Japan and Australia.<sup>12</sup> This

<sup>12</sup>William A. Doebele, "Land Readjustment as an Alternative to Taxation for the Recovery of Betterment: The Case of South Korea", in Roy W. Bahl (ed.), *The Taxation of Urban Land in Less Developing Countries*, University of Wisconsin Press, Madison, 1976, pp 163-89.

has been tried on the basis of cross subsidy also.<sup>13</sup> In view of the realities of the situation and the avowed public policy of serving the needs of the low income groups, disposal of lands to EWS and LIG has necessarily to be based on cross subsidy. Delhi model of revolving fund is not likely to prove an effective financial instrument in this regard. □

<sup>13</sup>William A. Doebele, "Reshaping Land Readjustment to Serve the Needs of Low Income Group: The 1980 Korean Master Plan", in Doebele (ed.). *Land Readjustment: A Different Approach to Financing Urbanisation*, Lexington Books, D.C. Heath & Company, Lexington, 1982, pp. 213-15.

## Appendix

TABLE 1 DEVELOPMENT AND DISPOSAL OF 14.5 HECTARES  
OF LAND, PHASE I\*

<i>Income Group</i>	<i>Land Allotted (Sq. Mt.)</i>	<i>No. of Plots</i>	<i>Price charged (Rs.)†</i>	<i>Sale Proceeds (Rs. lakhs)</i>
1. EWS	—	—	—	—
2. LIG	7,569 (9.00)	108 (16.49)	10,500	11.34
3. MIG	26,912 (32.00)	299 (45.65)	36,000	107.64
4. HIG	49,619 (59.00)	248 (37.86)	2,04,00	506.10
TOTAL	84,100 (100.00)	655 (100.00)	—	625.08
Commercial	1,450	—	1,360	19.72
Institutional and C.F.	21,750	—	340	73.95
GRAND TOTAL	1,07,300	655	—	718.75

NOTE: EWS—Economically Weaker Section.

LIG—Low Income Group.

MIG—Middle Income Group.

HIG.—High Income Group.

CF—Community Facilities.

\*Capital investment of Rs. 4.93 crores.

†Prices relate to per plot except commercial and institutional for which if pertaining to per sq. mtr.

TABLE 2 DEVELOPMENT AND DISPOSAL OF 21 HECTARES  
OF LAND, PHASE II\*

<i>Income Group</i>	<i>Land Allotted (Sq. Mt.)</i>	<i>No. of Plots</i>	<i>Price charged (Rs.)</i>	<i>Sale Proceeds (Rs. lakhs)</i>
1. EWS	10,353 (8.50)	287 (23.43)	2,700	7.75
2. LIG	21,924 (18.40)	313 (25.55)	10,500	32.87
3. MIG	29,232 (24.00)	324 (26.45)	36,000	116.64
4. HIG	60,291 (49.50)	301 (24.57)	2,04,000	614.04
TOTAL	1,21,800 (100.00)	1225 (100.00)	—	771.30
Commercial	2,100	—	—	28.56
Institutional and C.F.	31,500	—	—	107.10
GRAND TOTAL	1,55,400	1225	—	907.22

\*At a capital investment of Rs. 7.14 crores.

TABLE 3 DEVELOPMENT AND DISPOSAL OF 31.46 HECTARE  
OF LAND, PHASE III\*

<i>Income Group</i>	<i>Land Allotted (Sq. Mt.)</i>	<i>No. of Plots</i>	<i>Price charged per sq. mt. (Rs.)</i>	<i>Sale Proceeds (Rs. lakhs)</i>
1. EWS	15,504 (8.50)	430 (22.34)	2700	11.61
2. LIG	32,832 (18.00)	469 (24.36)	10,500	40.25
3. MIG	58,368 (32.00)	648 (33.66)	36 000	233.28
4. HIG	75,696 (41.50)	378 (19.64)	2,04,00	771.12
TOTAL	1,82,400 (100.00)	1,925 (100.00)	—	1065.26
Commereial	3,146	—	1,360	42.79
Institutional and C.F.	47,190	—	340	160.05
GRAND TOTAL	2,32,736	1,925	—	1268.50

\*At a capital investment of Rs. 10.70 crores.

TABLE 4 DEVELOPMENT AND DISPOSAL OF 37.30 HECTARE OF LAND, PHASE IV\*

<i>Income Group</i>	<i>Land Allotted (Sq. Mt.)</i>	<i>No. of Plots</i>	<i>Price charged (Rs.)</i>	<i>Sale Proceeds (Rs. lakhs)</i>
1. EMS	27,578 (12.75)	768 (31.17)	2,700	20.74
2. LIG	58,401 (27.00)	834 (33.85)	10,500	87.57
3. MIG	34,608 (16.00)	384 (15.58)	36,000	138.24
4. HIG	95,713 (44.25)	478 (19.40)	2,04,000	975.12
TOTAL	2,16,300 (1000.00)	2,464 (100.00)	—	1221.67
Commercial	3,730	—	1,360	50.73
Institutional and C.F.	55,950	—	340	190.23
GRAND TOTAL	2,75,980	2,464	—	1462.62

\*At a capital investment of Rs. 12.68 crores

TABLE 5 DEVELOPMENT AND DISPOSAL OF 43 HECTARE OF LAND, PHASE V\*

<i>Income Group</i>	<i>Land Allotted (Sq. Mt.)</i>	<i>No. of Plots</i>	<i>Price Charged (Rs.)</i>	<i>Sale Proceeds (Rs. Lakhs)</i>
1. EWS	31,799 (12.75)	883 (31.11)	2,700	23.84
2. LIG	67,338 (27.00)	961 (33.85)	10,500	100.91
3. MIG	39,904 (16.00)	443 (15.61)	36,000	159.48
4. HIG	1,10,359 (44.25)	551 (19.42)	2,04,000	1124.04
TOTAL	2,49,400 (100.00)	2,838 (100.00)	—	1408.27
Commercial	4,300	—	1,360	58.48
Institutional and C.F.	64,500	—	340	219.30
GRAND TOTAL	3,18,200	2,838	—	1686.05

\*At a capital investment of Rs. 14.62 crores.

TABLE 6 ALLOTMENT OF TOTAL LAND AREA TO VARIOUS  
INCOME GROUPS*(in Sq. Mts.)*

<i>Phase</i>	<i>EWS</i>	<i>LIG</i>	<i>MIG</i>	<i>HIG</i>	<i>Total</i>
1.	—	7569 (9.00)	26912 (32.00)	49619 (59.00)	84100 (100.00)
2.	10353 (8.50)	21924 (18.00)	29232 (24.00)	60291 (49.50)	121800 (100.00)
3.	15504 (8.50)	32832 (18.006)	58368 (32.00)	75696 (41.50)	182400 (100.00)
4.	27578 (12.35)	58401 (27.00)	34608 (16.00)	95713 (44.25)	216300 (100.00)
5.	31729 (12.75)	67338 (27.00)	39904 (16.00)	110359 (44.25)	249400 (100.00)
TOTAL	85234 (9.98)	188064 (22.03)	189024 (22.13)	391678 (45.86)	854600 (100.00)

# *Town Planning Scheme as a Technique for Urban Land Management in India\**

CHETAN VAIDYA

URBAN LAND management is one of the important tools for directing urban growth. However, regulation of urban land in the general interest of the community poses serious problems.<sup>1</sup> Land acquisition and development is one of the techniques used in India for urban land management. It is extensively used in some parts of the country, particularly Delhi. But this system has not achieved some of the basic objectives of urban land policy such as keeping land prices down and providing serviced plots for low income households.<sup>2</sup> A recent report of Task Force on Urban Development appointed by Planning Commission has also raised questions about effectiveness of this technique for meeting wide ranging planning objectives.<sup>3</sup> It is clear that this technique must be evaluated very carefully and is no easy remedy to urban land problems.<sup>4</sup> In view of various limitations of land acquisition and development technique, several innovative methods of urban land development have been suggested.<sup>5</sup> One such approach is "Land Readjustment Schemes".

Land Readjustment (or pooling) is a land management technique

\*Suggestions made by Prof. Ray W. Archer of Asian Institute of Technology, Bangkok, Mr V.K. Phatak, Chief, Planning Division, Bombay Metropolitan Region Development Authority and officials of Town Planning and Valuation Departments of Gujarat and Maharashtra are gratefully acknowledged. The views expressed in this paper are those of the author and should not be attributed to the organisation where he belongs.

<sup>1</sup>H.B. Dunkerley, "Urban Land Policy—Issues and Opportunities", World Bank Staff W.P. No. 283, Washington, DC, World Bank, 1978, Volume 1, p. 14.

<sup>2</sup>R. Cox and K.C. Sivaramakrishnan, Extracts from "Urban Reading" Chapter 3 Regulating Land Ownership, Washington, DC, World Bank, 1982, p. 4.

<sup>3</sup>"Task Force on Housing and Urban Development-1: Planning of Urban Development", Planning Commission, New Delhi Planning Commission, 1983, p. 257.

<sup>4</sup>L.F. Linn, "Policies for Efficient and Equitable Growth of Cities in Developing Countries", W.B. Staff Paper No. 342, (Washington, D.C., World Bank, 1982) p. 243.

<sup>5</sup>Rakesh Mohan, "Urban Land Policy: Some New Perspectives", in *Nagarloka*, Jan.-March, 1982, p. 8.



for carrying out the unified sub-division of separate land holdings for urban development. It has been successfully used in Japan, South Korea and Taiwan. The experience with this technique in these countries has shown its value as a positive land management technique for achieving timely sub-division of land holdings for planned pattern of urban development and for financing the cost of providing the roads and public utility networks out of the related land value increase.<sup>6</sup> It can also be used to ensure an adequate supply of land for housing development. One method of urban land management used in some states of India for a very long time is similar to Land Readjustment technique and is known as Town Planning Schemes. In the context of the recent interest in this technique,<sup>7</sup> it is felt appropriate to study the limitations and potentials of this instrument in India. As this technique is most popular in Gujarat and Maharashtra, this paper has limited its analysis to study the experiences of these two states.

The basic objective of the paper is to stimulate interest in the technique of Town Planning (TP) Scheme that despite certain limitations may offer an approach for efficient management of urban land in India and other developing countries. In this paper, planning and implementation methods of TP schemes in Gujarat and Maharashtra states have been analysed in terms of process, time requirement, management, use, investment cost recovery and setting. Wherever possible a comparative analysis of these aspects with Land Readjustment (LR) techniques of other countries is also made here. Based on this analysis, various limitations of the TP scheme technique have been identified. In addition, an attempt has been made to identify various opportunities to improve this technique.

## PLANNING OF TP SCHEMES

### *The Process*<sup>8</sup>

Town Planning Schemes in Maharashtra and Gujarat states are

\*R.W. Archer, "Use of Land Pooling/Readjustment Technique to improve Land Development in Bangkok" Human Settlements Division, W.P. No. HO 10, Bangkok, AIT, 1983) p. 1.

<sup>6</sup>See W.A. Doebele (ed.), "Land Readjustment—A Different Approach to Financing Urbanisation", Toronto, Lexington Books, 1982, for study of this technique in five countries, namely, Australia, Taiwan, Japan, Federal Republic of Germany and South Korea.

<sup>7</sup>See D.G. Pandya, "Strategy for Land Development in Metropolitan Areas—Case Study Ahmedabad" Paper presented at Seminar on Land in Metropolitan Development, Calcutta, Times Research Foundation, 1982, and J.G. Kesar, "Town Planning Schemes in Maharashtra", Planning Commission, *op. cit.*, Annexure.

undertaken by urban local bodies and development authorities. Town Planning Scheme in Gujarat State may be made in accordance with provision of Gujarat Town Planning and Urban Development Act, 1976, in respect to land which is in the course of development, and is likely to be used for building purposes or already built upon. Following are the major steps involved in the preparation of a scheme in Gujarat:

- (a) The appropriate local authority in consultation with the Chief Town Planner, State Government, declares intention to make the scheme. The plan of the area is kept for public inspection.
- (b) The authority prepares a draft scheme such that the final plots are suitable for building purposes and where the plot is already built upon, the building complies with the provisions of the schemes. Draft scheme contains: (i) the area, ownership and tenure of each original plot, (ii) particulars of land allotted or reserved for different uses, (iii) changes in original boundaries of plots, (iv) an estimate of net cost of the schemes to be borne by the authority, and (v) cost of roads, water supply and other infrastructure.
- (c) Draft scheme is kept for public inspection and objections. After necessary modifications, the authority submits the draft scheme to the state government for sanction. State government after sanctioning the scheme appoints a Town Planning Officer (arbitrator).
- (d) Town Planning Officer (TPO) prepares preliminary and final schemes. In preliminary scheme the TPO after giving notice to the land owners in prescribed manner: (i) demarcates the areas allotted or reserved for public purposes, services and final plots, (ii) provides for total or partial transfer or rights of an original plot owner to a final plot, and (iii) determines the period within which the construction works shall be completed by the authority. In final scheme the TPO: (1) fixes differences between total value of original and final plots, (2) estimates increment in value of plots, and (3) determines the contribution to be levied on each of the plot. Land is valued at the date of declaring intention to make the scheme. The decision of TPO, with regard to objections arising out of preliminary scheme is final. Matters arising out of final scheme, are referred to a Board of Appeal and its decision is final. The modified preliminary and final schemes are submitted to the government for sanction.
- (e) The local authority can take up implementation of the scheme after the government sanctions the preliminary scheme. How-

ever, the contributions from the owners can be levied after the government has sanctioned the final scheme. The cost of the scheme is met by contributions to be levied on owners of the final plots and it is not more than half of the estimated increment in value of the plot due to implementation of the TPS. The excess amount is borne by the local authority.

In Maharashtra State, the Town Planning Scheme is prepared in accordance with the Maharashtra Regional and Town Planning Act, 1966. The process of planning TP scheme in Maharashtra is similar to that of Gujarat. However, the Maharashtra act does not provide for sub-dividing the TP scheme into preliminary and final schemes.

The process of planning TP scheme in India is very cumbersome. Land owners are to be informed more than three times. Government sanction has to be taken at three different stages. Some of the information presented in preliminary/final scheme is already available in the draft scheme. The procedures for planning and implementation of Land Readjustment Schemes in Kaohsiung (Taiwan) and Perth (Australia) are relatively simple and streamlined (Table 1). In Taiwan consent from owners is taken at initial stages and implementation of Land Readjustment project can be taken up on priority basis if there is an agreement by majority of land owners whose land holding exceeds 50 per cent of privately owned land in the scheme area.<sup>9</sup> In Kaohsiung as well as Perth, the approval of the superior agency/Minister is to be obtained at only one stage.

#### *Time Required*

As the process of planning the TP Scheme is very cumbersome, it takes very long time. Average time required for planning of TP scheme in Anand Town of Gujarat was 8 years (average area 109 ha). Analysis of 34 TP schemes in Maharashtra indicates that on an average it takes as long as 15 years to plan a TP scheme (average area 152 ha.) (Table 2). Assuming that implementation of a TP scheme will take another 5 years, the total time period between declaration of intention to completion of a project will be 20 long years. Finalisation of TP scheme itself takes about 8 years.

It is believed that time requirement for planning of TP schemes can be reduced by taking up schemes covering smaller land areas. However, analysis of TP schemes in Maharashtra shows that it may not be true. Schemes with an average area of 22 ha. has taken 13 years for planning whereas corresponding figure for schemes with an

<sup>9</sup>"A Briefing on Land Consolidation of Kaohsiung Municipality, Taiwan", Mexico, Kaohsiung City Government, 1981, p. 8.

TABLE 1 PROCEDURE FOR LAND READJUSTMENT SCHEMES IN KAOHSIUNG CITY (TAIWAN) AND PERTH (AUSTRALIA)

<i>Kaohsiung City</i> <sup>10</sup>	<i>Perth</i> <sup>11</sup>
1. Select area eligible for consolidation	1. Select area for preparing scheme
2. Seek consent from owners	2. Consult land owners
3. Formulate project and gain approval	3. Prepare land readjustment scheme
4. Survey area	4. Exhibition of scheme for public information and objection
5. Start Planning	5. Review by department and board
6. Assess land value	6. Approval by the Minister
7. Exchange or merge land plots	7. Possession of land without paying compensation
8. Promulgate consolidation plans	8. Raise short-term bank loan for construction of works
9. Begin construction work	9. Construction of work and sub-division of land
10. Redistribute land and allocate	10. Sale some of the plots and redistribute other plots.
11. Rearrange data	
12. Prepare report	

average area of 466 ha is 18 years (Table 3). It was felt that the time requirement for planning of TPS can be explained by some of the factors such as: (i) number of owners per scheme, (ii) percentage of area required, (iii) incremental contribution of owner per ha., and (iv) average area of land holding. Analysis of 34 TP schemes in Maharashtra is presented in Table 4. Number of owners per scheme was 313 for schemes which have taken 11 to 15 years whereas the corresponding figure was 254 for schemes that have taken 16 to 20 years. Percentage of area acquired to total area for schemes that required upto 10 years was 23 per cent whereas it was only 11 per cent for schemes that required more than 21 years. Incremental contributions per hectare for schemes that have taken time upto 10 years and more than 21 years were Rs. 7,518 and Rs. 2,906 respectively. This analysis clearly indicates that there is no relationship between

<sup>10</sup>R.C.T. Lee, "Land Policy as a Tool of Social and Economic Development" in World Congress on Land Policy edited by M. Cullen and S. Woolery, Toronto, Lexington Books, 1980, p. 53.

<sup>11</sup>R.W. Archer, "Land Pooling by Local Government for Planned Development" in Perth. An Occasional Paper, Canberra City, Australian Institute of Urban Studies, 1980, p. 7.

TABLE 2 AVERAGE TIME REQUIRED FOR VARIOUS STAGES OF PLANNING OF TOWN PLANNING SCHEMES—MAHARASHTRA

<i>Stages of Planning</i>	<i>Average time* required (in years)</i>	<i>Percentage to total</i>
(a) Declaration of intention to publication of draft scheme	1.9	12.6
(b) Publication of sanction of draft scheme	1.5	9.9
(c) Appointment of arbitrator (TPO)	0.1	0.6
(d) Finalisation of TP scheme by arbitrator	7.8	51.7
(e) Tribunal of appeal	1.6	10.6
(f) Submission of final scheme to government	1.1	7.3
(g) Sanction of final scheme	1.1	7.3
TOTAL	15.1	100.0

\*Average time based on analysis of 34 TP schemes.

DATA SOURCE: S.V. Yadikar "Validity of T.P. Scheme as a tool for implementing planning proposals" ME (Town Planning) degree dissertation Department of Town Planning, Pune, College of Engineering, 1980.

time required and these factors. This perhaps further shows that the legal procedure is one of the reasons for long time required in planning TP schemes. Some other reasons for delay in planning of TPS are:

- (i) Proper list of land owners is not available. The list as per revenue records is 3 to 6 years old. So it is difficult to give owners prescribed notices.
- (ii) Physical survey of the site is not available. It is generally carried out after the draft scheme is approved.
- (iii) Sufficient technical staff is not available with the Town Planning Officer. In Gujarat, many Town Planning Officers are handling more than one TP scheme.

In Kaohsiung City, planning and implementation of land readjustment scheme on an average take about 4 years (average area 75 ha.).<sup>12</sup> Preparation and implementation of one land readjustment scheme in Perth, took only 3 years and 6 months (area 20 ha.).<sup>13</sup> In Nagoya (Japan), a typical programme done by land readjustment association takes 2-3 years for preparation (until approval) and 4-6 years for implementation and final arrangement.<sup>14</sup>

<sup>12</sup>Kaohsiung City Government, *op. cit.*

<sup>13</sup>R.W. Archer, *op. cit.*, 1980, p. 56.

<sup>14</sup>K. Hayashi, "Japanese Urban Planning, Development and Land Readjustment". NIRMA Research Paper No. 1, Nagoya, Nagoya International Metropolitan Research Association, 1978, p. 34.

TABLE 3 DISTRIBUTION OF TOWN PLANNING SCHEMES BY AREA AND TIME REQUIRED FOR PLANNING—MAHARASHTRA

Area of schemes (ha)	Number of schemes	Average area of scheme (ha)	Average time required for planning (in years)
(a) Upto 50	14	22	13
(b) 51—150	6	144	16
(c) 151—250	8	174	17
(d) Above 250	6	466	18
	34	152	15

DATA SOURCE : S. V. Yadikar, *op. cit.*

TABLE 4 ANALYSIS OF TP SCHEMES BY TIME REQUIRED FOR PLANNING—MAHARASHTRA

No. of years required for finalisation of TPS	No. of schemes	No. of owners per schme	Percentage of area acquired	Incremental contribution per ha (Rs.)	Area per owner (mts.)
Upto 10	8	142	23	7,518	4854
11—15	14	313	12	11,713	4755
16 - 20	5	254	26	1,666	4307
Above 21	7	422	11	2,906	6755
TOTAL	34	287	16	6,816	5313

DATA SOURCE : S.V. Yadikar, *op. cit.*

## MANAGEMENT ASPECTS

The management of planning and implementation of TP schemes can be divided into three phases: (a) preparation of draft scheme, (b) preparation of preliminary/final scheme. Different agencies responsible for these three phases are:

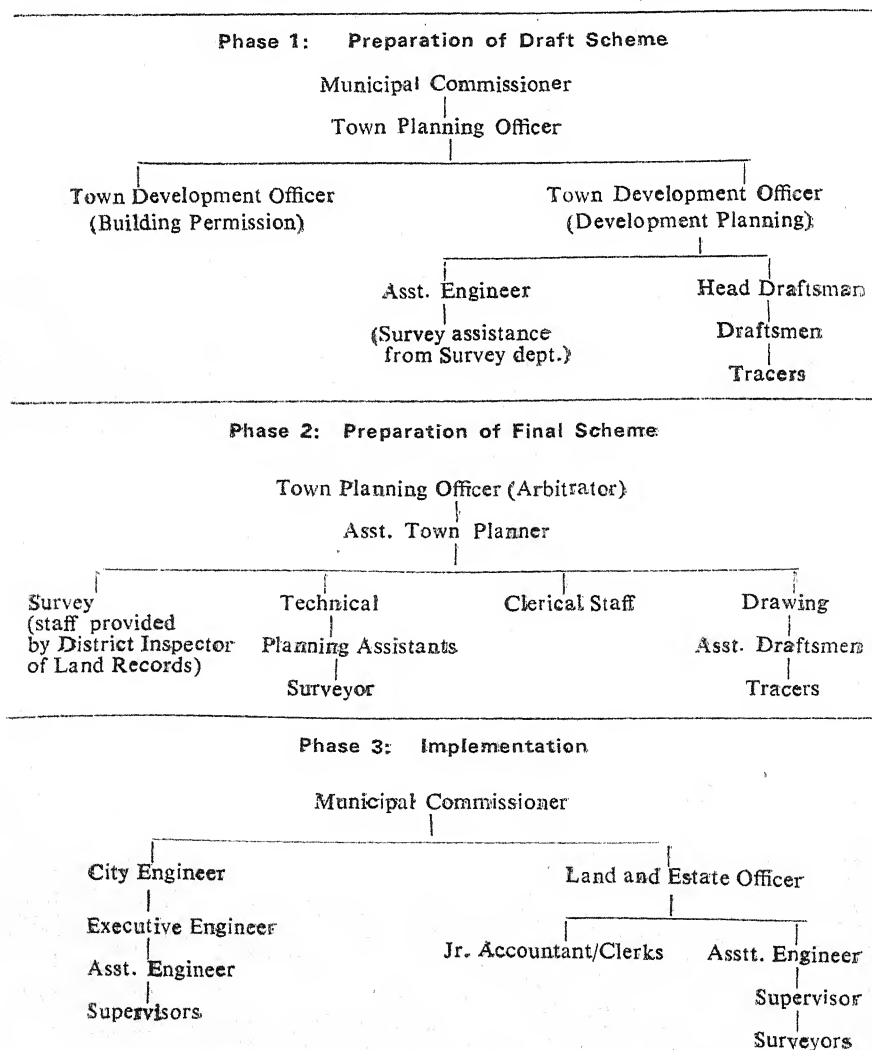
- (a) In case of large cities, the draft scheme is prepared by the urban local bodies. Small and medium urban centres do not have technical staff for preparing the schemes. Therefore, the drafts schemes for small and medium towns are, generally, prepared with the help of State Town Planning and Valuation Department.
- (b) The preliminary/final scheme is prepared by the Town Planning Officer (Arbitrator) appointed by the State Town Planning

Department. The procedure is same for small, medium and large urban centres.

- (c) Implementation of TP schemes for small, medium and large centres is undertaken by respective urban local bodies.

Organisation structure for preparation of TP schemes in a large city of Gujarat is presented in Fig. 1. Preparation of draft TP scheme is the responsibility of Town Development Officer (Development

FIG. 1 ORGANISATION STRUCTURE FOR PLANNING OF TP SCHEMES FOR A LARGE CITY IN GUJARAT



Planning). As mentioned earlier, the final scheme is prepared by the Town Planning Officer. Implementation of TP scheme is carried out by City Engineer and Land Officer. The staff of City Engineer is responsible for construction of roads, water supply and other infrastructure. The Land Officer is responsible for giving notices to owners, acquisition of Land, handling over final plots, recovery of betterment contribution, removing encroachment, etc.

It should be noted that the three phases of planning and implementation of TP Scheme are taken as three different activities. Generally, there is no proper coordination between people working on different phases of the schemes. The persons managing various aspects of TP schemes are interested in only their part of the activity without the overall perspective of the project objectives. They are not able to see themselves as project managers aiming to implement the scheme efficiently and effectively. In Perth, a department person of municipal council is designated as project manager, who is responsible for coordination and liaison during different stages of Land Readjustment scheme.<sup>15</sup>

During planning and implementation of TP scheme there is no continuing liaison with land owners regarding progress of work. In Japan, a Land Readjustment Council is established to reflect the opinions and ideas of the Land owners and leaseholders.<sup>16</sup> Academic or experienced persons are also nominated as members of the council. This council acts as a liaison between the land owners and the local authority (public sector).

### *Use of TPS Technique*

Most of the TP schemes are undertaken by the urban local bodies. It is worthwhile to analyse use of this technique by different sizes of urban centres. There are 253 urban centres in Gujarat state and out of them 91 centres are covered by urban development authorities. Among these 91 centres only 31 centres have undertaken TP schemes. A total number of 159 TP schemes have been undertaken in the state and 106 of them are concentrated in four large cities (population size above 4 lacs). Ahmedabad has undertaken as many as 55 TP schemes, 33 within city municipal corporation limits and 22 outside the corporation limits. Among the 78 small and medium towns (population below one lac), only 19 centres have undertaken TP schemes.

In Maharashtra state, there are 301 centres and only 29 centres have sanctioned TP schemes. A total number of 77 schemes have

<sup>15</sup>R.W. Archer, *op. cit.*, 1980, p. 25.

<sup>16</sup>K. Hayashi, *op. cit.*, p. 30.



been sanctioned in the state and 42 of them are concentrated in 3 large cities. As in case of Gujarat, most of the TP schemes are concentrated in one large city. Bombay accounts for as many as 31 schemes. The small and medium towns in these two states have made little use of TP Scheme technique. It is interesting to note here that even in South Korea Land Readjustment procedure has been more successful in large cities than in smaller urban centres.<sup>17</sup> In Japan, during 1970 to 1977, 42 per cent of land recovered by LR scheme was concentrated in three large metropolitan areas.<sup>18</sup>

In India, TP schemes are generally used for residential development for upper and middle income groups. In Japan, Land Readjustment technique is also used for urban redevelopment, main line infrastructure such as roads and railway, and New Town Development. For example, Kazoji New Town, which has approximately 850 ha. of area located on outskirts of Nagoya was developed by adopting this technique.<sup>19</sup> In South Korea attempts are being made to reshape L.R. technique to serve the needs of the low income households.<sup>20</sup>

#### INVESTMENT AND COST RECOVERY

Investment for planning and implementation of a TP scheme is made by the urban local body/development authority. As per the regulations on Town Planning scheme, the costs of TPS includes: (i) construction costs of infrastructure and public facilities, (ii) compensation for land reserved or designed for any public purposes, (iii) expenses for making the scheme, and (iv) legal and administrative expenses. The actual expenditure on implementation of TPS is much higher than the estimated cost in the final scheme. This is because implementation of TPS takes at least 5 to 8 years and the estimated cost does not include escalation in construction/and other costs. The cost of implementation of a TPS is met through the annual budget of the urban local body. The urban local bodies, generally, have marginal resources for this purpose.<sup>21</sup> This is one of the reasons for delay in implementation of TP schemes. It may be mentioned here that in Kaohsiung, Perth and Nagoya, the working

<sup>17</sup>"Finding Urban Land for the Poor—Land Readjustment", Urban Edge, June, 1983, p. 4.

<sup>18</sup>M. Miyazawa, "Land Readjustment in Japan" in W. A. Doebele, *op cit.*, p. 91.

<sup>19</sup>K. Hayashi, *op cit.*, p. 26.

<sup>20</sup>W.A. Doebele, "Reshaping Land Readjustment to Serve Needs of Lower Income Groups—The 1980 Korean Master Plan" in W. A. Doebele, *op cit.*, p. 213.

<sup>21</sup>See A. Dutta, "Municipal Finances in India" World Bank Discussion Paper No. UDD 18, Washington, DC, World Bank, 1981, p. 149.

capital required to finance the Land Readjustment project work is usually raised by a loan from bank or public agencies. The interest on these loans is included in the cost of the projects.

Cost recovery (betterment collection) from a Town Planning Scheme project is in form of owner's contribution which is upto half of estimated increment in land value due to implementation of the projects. The land owners have the option of paying their contribution either in lumpsum or in ten annual instalments at a nominal interest rate of 6 per cent per year. Therefore, most of the land-owners prefer to pay the amount by instalments. Table 5 presents financial aspects of selected TP schemes in Maharashtra and Gujarat. Additional burden (deficit) on the urban local bodies due to implementation of the TP schemes is estimated to be between Rs. 4 to 38 lacs. The percentage deficit to total cost of TPS is estimated to be between 23 to 46 per cent. The actual deficit is much higher as these estimates do not include escalation in cost of construction and additional cost of instalment payment facility for the land owners' contribution. Based on certain assumptions regarding these additional costs, it is estimated that the actual deficit due to implementation of TP schemes will be between 42 to 61 per cent. (Table 5). However, it is worthwhile to mention here that the compensation for land acquired for public infrastructure and facilities through implementation of TP schemes is lower than the market price and the owners' contribution helps to partly recover cost of the infrastructure which is normally the responsibility of the local bodies.

Comparative analysis of cost recovery from Land Readjustment schemes reveals that in Nagoya, Kaohsiung and Perth, all the costs are expected to be recovered (Table 6). The local authorities in these cities do not have to incur any additional expenditure for Land Readjustment projects though they also do not make any financial profits. A study of eighteen projects completed in Seoul as of 1977 showed that total revenues exceeded expenditures by some 63 per cent and this large surplus probably gave Seoul the capital needed for interim financing of large readjustment schemes in later years.<sup>22</sup> The major methods of cost from land readjustment schemes are sale of land and owners' contribution in form of land. In TP schemes, of Gujarat and Maharashtra, sale of land is generally not used as a method of cost recovery. It may be mentioned here that in Cochin, part of cost of detailed TP scheme is recovery by sale of land.<sup>23</sup>

<sup>22</sup>J. Kim, M. Hwang and W.A. Doebele, "Land Readjustment in Korea" in W.A. Doebele, *op. cit.*, p. 149.

<sup>23</sup>See Detailed TPS for Kunnara Island—GCDA, Cochin, GCDA, 1984, Schedule II and Detailed TPS for Perandoor Road, GCDA, Cochin, GCDA, 1976, Schedule II.

TABLE 5 FINANCIAL ASPECTS OF SELECTED TOWN PLANNING SCHEMES—MAHARASHTRA AND GUJARAT

Item	Maharashtra			Gujarat	
	Case 1	Case 2	Average*	Case 1	Case 2
(a) Area of scheme (ha)	146	48	152	133	167
(b) Total cost of scheme (Rs. in lacs)	40.5	10.6	18.9	137.1	104.2
(c) Cost of developmennt (Rs. in lacs)	36.4	6.7	11.3	57.5	80.6
(d) Investment contribution from owners (Rs. in lacs)	31.3	6.2	10.3	99.5	73.3
(e) Deficit/Surplus (Rs. in lacs) (d-b)	-9.2	-4.4	-8.6	-37.6	-30.9
(f) Percentage Deficit/Surplus to total cost	-22.7	-41.5	-45.5	-27.5	-29.6
(g) Actual Deficit/Surplus to total cost† (Author's estimate)	-49.9	-58.6	-60.6	-42.0	-50.9

\*Average figure based on estimates of 34 schemes in Maharashtra.

†Actual deficit/surplus is estimated based on the following assumptions:

- (i) Scheme will be implemented in 5 years' time period.
- (ii) Average annual rate of escalation will be 8.5 per cent.
- (iii) Fifty per cent of the incremental contribution will be paid in equal instalments over 5 years time period and rate of interest for instalment payment will be 6 per cent per year.

SOURCE: Maharashtra—S.V. Yadikar, *op. cit.*

Gujarat—Town Planning and Valuation Department and Municipal Corporations.

### THE SETTING

Success of a LR scheme, depends upon the setting or environment in which it is planned. This technique has been relatively more successful in South Korea, Taiwan and Japan. It is necessary to understand the setting in which the schemes are prepared in these countries. The LR programme in Korea is accompanied by an almost complete suppression of competitive private land sub-division in peripheral areas and that the programme is 'benefit monopoly' which amounts to socialisation of land subdivision and development business.<sup>24</sup> In Taiwan, as early as 1954, Equalisation of Urban land Rights Act was enacted. The act was revised in 1977 as Equalisation

<sup>24</sup>W.A. Doebele, "Land Policy in Seoul and Gwagju, Korea with special reference to Land Readjustment", *Urban and Regional Report No. 77-9*, IBRD, Washington DC, IBRD, 1976, p. 51.

TABLE 6 COMPARATIVE ANALYSIS OF COST RECOVERY FROM LAND READJUSTMENT SCHEMES IN DIFFERENT COUNTRIES

City/State (country)	No. of schemes considered	Average area(ha)	Percentage deficit/ surplus to local body	Percentage of land returned to owners	Percentage of land sold by local body	Major methods of cost recovery
Kaohsiung (Taiwan)	21	73	Nil	64	5	LS OCL
Nagoya (Japan)	1	167	Nil	NA	17	LS
Perth (Australia)	1	20	Nil	80	5	LS
Maharashtra (India)	34	152	-61	84	—	OCM
Gujarat (India)	1	167	-51	67	—	OCM
Seoul (South Korea)	18	373	+63	60	10	LS OCM

\*LS=Land sale. OCL=Owners' contribution in the form of land.

OCM=Owners' contribution in the form of money.

SOURCE : Kaohsiung City Government, *op. cit.*

K. Hiyashi, *op. cit.*, p. 39.

R. W. Archer, *op. cit.* 1980, p. 55-62.

S. V. Yadikar, *op. cit.*

Gujarat Town Planning and Valuation Department and Urban Local Body.

I. Kim, M. Hwang and W. Doebele, *op. cit.*

of Land Rights Act extending its authority over surrounding rural areas as well.<sup>25</sup> In Japan, the L.R. programme was adopted on larger scale to reconstruct heavily damaged cities by World War II.<sup>26</sup> The two barriers of Japan Urban Development, difficulties of land acquisition and extraordinary high prices have also helped in generating support for the programmes in the country. In India, Urban Land Ceiling (ULC) Act, 1976 created a ceiling on ownership of vacant urban land beyond a certain limit in several urban agglomerations.<sup>27</sup> Provision of ULC act have impeded the process of acquisition of land for public purposes and the supply of land in the market is also restricted. While provisions of ULC Act do not permit public authorities to obtain land easily for public purposes,

<sup>25</sup>R. C. T. Lee, *op. cit.*, p. 46.

<sup>26</sup>K. Hayashi *op. cit.*, p. 23.

<sup>27</sup>R. Cox and K. Shivaramakrishnan, *op. cit.*, p. 7.

preparation of TP scheme in such urban agglomerations is the only method of obtaining land within a reasonable time limit.<sup>28</sup> This technique can also be used to increase supply of land in cities where ULC Act has restricted supply of urban land by encouraging land owners to go in for TP schemes instead of withholding the land.

Above analysis of the process of planning and implementation of TP scheme has revealed a number of limitations of this technique. These limitations have been summarised in the next section.

### LIMITATIONS

Major limitations of use of TP scheme as a technique for urban land management in Gujarat and Maharashtra States are:

- (a) Process of planning and implementation of TP scheme is very cumbersome and time consuming.
- (b) Present method of planning and implementation of TPS does not provide for financial viability of the project and it creates burden on the urban local bodies.
- (c) Proper coordination between different agencies/departments responsible for planning and implementation of TP scheme is lacking. The persons managing various aspects of TP Scheme project do not have overall perspective of the project objectives and philosophy of land development through this technique. It can be said that they are not able to see themselves as project managers aiming to implement the scheme efficiently and effectively.
- (d) Urban local bodies of small and medium towns have made little use of TP scheme technique for urban development. In addition, large local bodies have generally used this technique, only for developing high and middle income residential areas.

### OPPORTUNITIES

Though there are many limitations of TPS technique, it can be a major means of providing serviced lands in the urban areas and partly recovering cost of urban land development. There are number of opportunities to improve this technique. Some of these improvements are suggested in this section.

<sup>28</sup>See A. K. Chakravarty, "Note on Ahmedabad Urban Development Authority" in Gujarat Urban Development Authorities Association—Objectives and Background, Baroda, GUDA, 1983, p. 21,

### Procedure

Planning of TP scheme takes very long period as the legal procedures are very cumbersome. In this context an analysis of changes in Town Planning Acts of Gujarat and Maharashtra was carried out (Table 7). The first Town Planning Act was enacted in 1915. This Act known as Bombay Town Planning Act, 1915 provided only for planning and implementation of TP schemes. This Act was replaced in 1955. The TP Act, 1915 provided for preparation of development plans within limits of urban local bodies and also preparation of TPS. The Act, 1954 was replaced in Gujarat by a comprehensive urban development Act in 1976. This Act provides for preparation of development plans within and outside the limits of urban local bodies, formation of separate urban/area development authorities and preparation of TP schemes. In Maharashtra, TP Act, 1954 was replaced by a comprehensive urban development Act in 1966. This shows that the provisions of Town Planning Act have improved over time. However, there is no major change in the procedure relating to planning and implementation of TP schemes. Today, the TP schemes are being prepared with the legal framework which was made more than four decades ago. Changes in the present procedures of preparing TPS are long over due. Important suggestions for improving the legal procedures are:<sup>29</sup>

- (a) Approval of government for draft scheme may not be necessary.
- (b) Preliminary discussions with owners could be combined with arbitration proceedings.
- (c) First publication of TPS could itself then constitute the arbitrator's award; and
- (d) Absolute limits should set on the time period for preparing draft/preliminary schemes and sanctioning of these schemes by the government.

In this context it is worthwhile to mention regarding changes made in Town Planning Scheme procedure in Tamil Nadu. In this state, till 1972, Town Planning Schemes were prepared as per Tamil Nadu Town Planning Act, 1920. The provisions of this Act, were similar to Bombay TP Act, 1915. The process of Planning TP Schemes was also very cumbersome and time consuming. TP Act, 1920 has been replaced by Tamil Nadu Town and Country Planning Act, 1971.<sup>30</sup> As

<sup>29</sup>See J.G. Keskar, *op. cit.*

<sup>30</sup>"Tamil Nadu Town and Country Planning Act, 1971", Government of Tamil Nadu, Madras, Director of Stationery, 1971.

TABLE 7 COVERAGE OF DIFFERENT TOWN PLANNING ACTS IN MAHARASHTRA AND GUJARAT

<i>Acts</i>	<i>Coverage*</i>	<i>Major Aspects Covered</i>
1. Bombay Town Planning Act, 1915	Maharashtra and Gujarat	(a) Town Planning Scheme
2. Bombay Town Planning Act, 1954	Maharashtra and Gujarat	(a) Town Planning Scheme (b) Development Plan
3. Maharashtra Regional and Town Planning Act, 1966	Maharashtra	(a) Town Planning Scheme (b) Development Plan (c) Constitution of Regional Planning Boards/New Town Development Authority
4. Gujarat Town Planning and Urban Development Act, 1976	Gujarat	(a) Town Planning Scheme (b) Development Plan (including areas outside city limits) (c) Constitution of area/Urban development authorities

\*Gujarat and Maharashtra States were part of the former Bombay State.

per the new Act, TP Schemes have been termed as Detailed Development Plans. An attempt has been made in the Act, to improve the process of planning TP Schemes. Important changes are :

- (a) Director of T & C Planning is now the sanctioning authority for the schemes instead of the State Government; and
- (b) Betterment tax has been replaced by Development charge. Therefore, no arbitrator is needed.

The effectiveness of these changes needs to be studied in detail.

#### *Financial Aspects*

Alain C. Bertaud<sup>31</sup> has developed a computer model for financial analysis of Town Planning Schemes in Gujarat (Annexure). It estimates the return from implementation of TPS to the urban local body (development authority). Input for this model are, original area and value of land, land use proposals, average infrastructure and overhead costs, number of years needed for implementation escalation rate, betterment tax rate, etc. Financial analysis of two actual TP schemes based on existing procedure has been presented in Table 8. Net surplus/deficit to urban local body by implementation

<sup>31</sup>Mr. Alain Bertaud was member of World Bank Mission for the proposed Gujarat Urban Development Project, November, 1983.

TABLE 8 FINANCIAL ANALYSIS OF TOWN PLANNING  
SCHEMES—GUJARAT

	Case 1	Case 2
<i>Input</i>		
Original plot area (ha)	132.60	167.30
Original value of land (Rs./sq. m)	28.00	5.97
Proposed land use (% of total area):		
(i) Roads	12.00	18.23
(ii) Amenities	9.44	5.42
(iii) Land to be sold	—	—
New value of land (Rs./sq.m)	54.74	19.30
Percentage betterment tax	50.00	50.00
Sale price of land to be sold (Rs./Sq.m)	—	—
Infrastructure cost per sq. mt. of road (Rs.)	34.82	25.15
Infrastructure cost per sq. mt. of amenities (Rs.)	—	—
Overhead cost per sq. mt. of total area (Rs.)	0.16	0.23
Number of years for implementation	5	5
Average yearly rate of escalation (%)	8.5	8.5
Average yearly interest on instalment payment (%)	6.0	6.0
Percentage betterment tax paid as down payment	50.00	50.00
<i>Development Cost</i>		
Original value of total area (Rs. in lacs)	371.22	99.87
Total land for public purposes (ha)	28.42	39.56
Land compensation (Rs.)	79.58	23.62
New plot area (ha)	104.15	127.13
Development cost (Rs. in lacs)	57.51	80.55
Total cost (Rs. in lacs)	137.10	104.17
Actual total cost (Rs. in lacs)	166.07	144.74
<i>Revenue (Rs. in lacs)</i>		
Value of new plot	570.13	246.52
Increment value	198.90	146.64
Revenue from betterment tax	99.45	73.32
Revenue from sale of land	—	—
Total revenue	99.45	73.32
Actual total revenue	96.24	70.95
<i>Surplus/Deficit to Local Body</i>		
Surplus/deficit (Rs. in lacs)	—37.65	—30.84
Percentage to total cost	—27.46	—29.61
Actual surplus/deficit (Rs. in lacs)	—69.83	—73.78
Percentage to actual total cost	—42.00	—50.90

of the TP schemes is a function of various factors such as :

- (a) proportion of land for roads and amenities (infrastructure and public facilities);



- (b) new value of land per unit area (value of land after implementation);
- (c) cost of development; and
- (d) number of years for implementation of the scheme.

As per the present legal framework the betterment tax cannot be more than 50 per cent. A sensitive analysis for the four factors was carried out (Fig. 2). This analysis shows that the net deficit/surplus is most sensitive to New Value of land. As per the Town Planning Act, the new value of land should be market value of the land at the date of declaration of intention of making the scheme, on the assumption that all improvements contemplated in the scheme are complete.<sup>32</sup> Though planning and implementation of a typical TP scheme takes many years, the time element is not reflected in this increase. This is one of the major legal limitation of TP scheme in terms of financial viability. It could be partly taken care by keeping some land to be sold for private use. Suggestions for changes in TP Act for improving financial viability of technique are:

- (a) The costs of TP scheme should include escalated cost of on and off site infrastructure.
- (b) The new value of land, after implementation of the scheme, should be estimated at the date of finalisation of the preliminary scheme and not date of intention. Land compensation value may also be changed accordingly.
- (c) Land owners' should not be given the option of paying owners' contribution through lumpsum or instalments. The annual interest rate for instalment payments should be same as the interest rate fixed by State Bank of India (for five years long-term deposit) to keep pace with inflation. The contribution could also be recovered in the form of land and not money.

### *Management*

There is lack of cooperation and overall perspective among persons responsible for planning and implementation of TPS project. It is felt that one senior department person of local body should be designated as Project Manager, who should be aware of project objectives and responsible for efficient implementation of the project. It may be mentioned here that the most important factor for a TPS project is not the number of staff but the leadership of them. Implementation of land readjustment requires continual decision

<sup>32</sup> 'Gujarat Town Planning and Urban Development Act, 1976', Government of Gujarat, Gandhinagar, Government Central Press, 1976, p. 41.

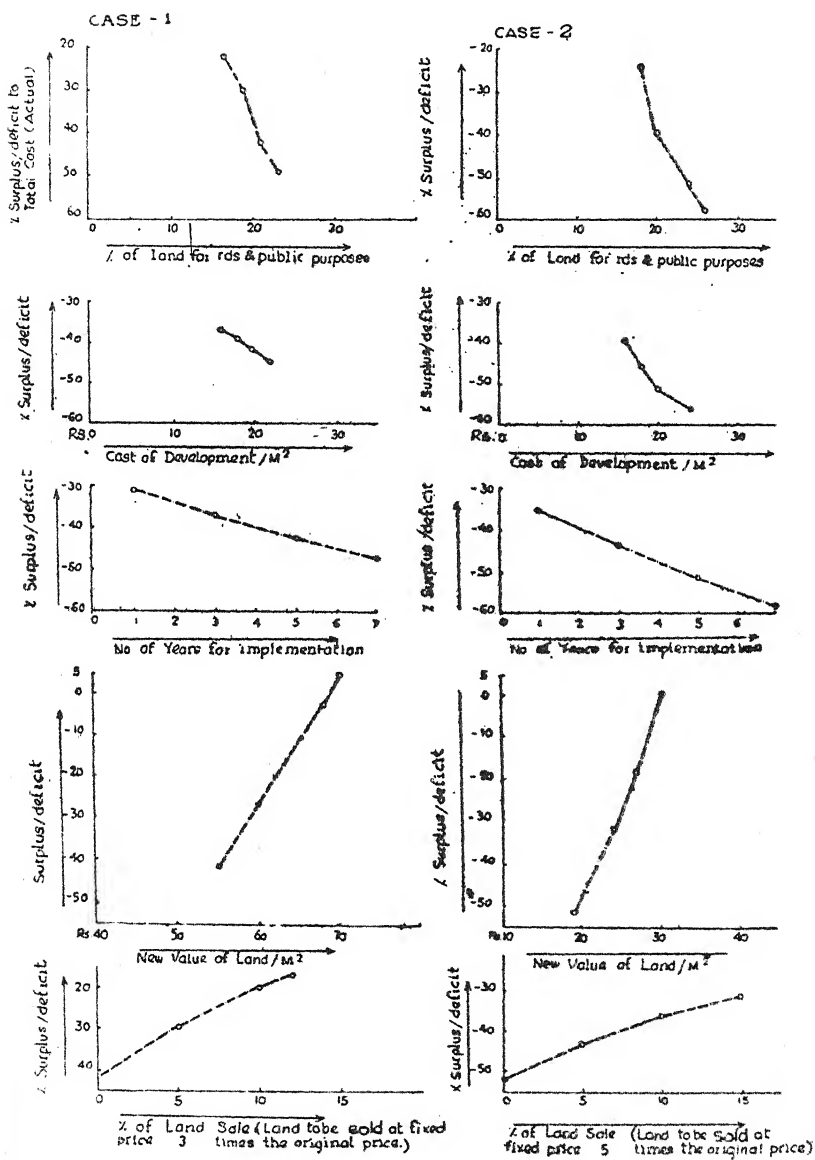


FIG. 2 SENSITIVITY ANALYSIS—FINANCIAL ASPECTS OF TOWN PLANNING SCHEMES IN GUJARAT

making and coordination on ambiguous and irrational matters,<sup>32</sup> It is necessary to make use of Urban Ceiling Act, 1976 to generate support for TP schemes in large cities. Urban local bodies of small and medium towns do not have persons to carry out the construction and other works related with land estimate department (such as giving notices, taking possession of land, handing over final plots, recovery of betterment tax, etc.). It is necessary to give special training courses to their personnel. In addition, a "Town Planning Scheme Corporation" may be formed under the Municipal Finance Board or Housing Board to provide technical and financial support to TPS projects. In Nagoya, a land Readjustment Corporation, a non-profit legal body, has been established. This Corporation is entrusted land readjustment programmes from associations which are implementing bodies, usually not having operational ability.

#### SUMMARY

Urban development authorities in India and other developing countries generally do not have the outlay and expertise required for large-scale acquisition and subsequent management of urban land. Town Planning Scheme technique is often suggested as an alternative for urban land management since no major public outlay for land is involved in this technique. This paper has reviewed planning and implementation of Town Planning schemes in Gujarat and Maharashtra and has identified various limitations of this technique. It has also suggested certain methods for improving use. A detailed study of this technique is needed to operationalise various suggestions made in the paper. ☐

<sup>32</sup>K. Hayashi *op. cit.*, p. 41.

# Annexure

## FRAMEWORK FOR ANALYSIS OF TOWN PLANNING SCHEMES IN GUJARAT

### INPUTS

#### I. BACKGROUND

a=Original Plot Area (in ha)  
b=Original Value per sq. meter (Rs.)

#### II. PROPOSALS

c=% of roads  
d=% of amenities  
e=% of land to be sold by development authority (DA)  
f=New value per sq. meter (Rs.)  
g=% of betterment tax  
h=Sale price of land to be sold by DA (Rs./sq meter)

#### III. DEVELOPMENT COST AND REVENUE

i=Infrastructure cost per sq. meter of road (Rs.)  
j=Infrastructure cost per sq. meter of amenities (Rs.)  
k=Overhead cost per sq. meter of total area (Rs.)

n<sup>1</sup>=No. of years between approval and implementation  
φ<sub>2</sub>=Average yearly rate of escalation  
n=No. of years of payment of instalment (by land owners)  
p=Percentage amount of betterment paid as down payment

### CALCULATIONS

$$z_1 = \frac{\text{original value of total}}{\text{area (Rs. in lacs)}} = \frac{(a * b)}{10}$$

$$x = \text{New roads} = \frac{(a * c)}{100} \text{ ha.}$$

$$y = \text{New amenities} = \frac{(a * d)}{100} \text{ ha.}$$

$$z = \text{New land to be sold} = \frac{(a * e)}{100} \text{ ha}$$

$$\text{Total land for public purposes} = V = x + y + z$$

$$\text{Land compensation (Rs. in lacs)} = W = \frac{(V * b)}{10}$$

$$t = \text{New plot area} = (a - v) \text{ ha.}$$

$$u = \text{Total new value (Rs. in lacs)} = \frac{(f * t)}{10}$$

$$s = \text{Inciment value} = u - z_1$$

$$p = \text{Betterment tax} = \frac{(s * q)}{100}$$

$$q = \text{Total development cost (Rs. in lacs)} = \frac{(i * x) + (j * y) + (k * a)}{10}$$

$$C = \text{Total cost} = W + q$$

$$m = \text{Revenue from sale of land (Rs. in lacs)} = \frac{(z * h)}{10}$$

$$R = \text{Total revenue} = p + m$$

$$\text{Surplus/deficit as \% of total cost} = \frac{L = R - C}{n^1} = \frac{(L \div C) * 100}{n^1}$$

$$C_1 = \text{Actual cost} = q \left[ \frac{1 + \phi q}{100} \right]^n + W$$

$$i_1 = \phi_1 \div 100$$

$$i_2 = \phi_2 \div 100$$

$$p_1 = \text{Actual betterment tax} = \frac{o}{100} p + \left( \frac{i - \phi}{100} \right) p \left\{ \frac{i_1(1+i_1)^n}{(1+i_1)^{n-1}} \right\}$$

$$* \left\{ \frac{(1+i_2)^n - 1}{i_2(1+i_2)^n} \right\}$$

$$R_1 = \text{Actual revenue} = p_1 + m$$

$$L_1 = \text{Actual surplus/deficit as \% of total actual cost} = \frac{(R_1 - C_1)}{(L_1 \div C_1) * 100}$$

## COMMENTS

It is slightly misleading to call TP schemes to be akin to Land Readjustment schemes. They are basically 'betterment' schemes. There is very little *land readjustment*, if any. Land is essentially taken from owners for public purposes, and there is hardly any land transferred between owners. They are, therefore, a cheaper form of land acquisition for public purposes, with some measure of betterment taxation thrown in. The data and comparison with LR schemes in the paper support this argument very well.

2. One of the key drawbacks of the TP schemes, as compared with LR schemes is the landowners have to come up with cash as betterment contribution. It is, therefore, in their interest to delay matters as much as possible: they are losing some land as well as cash. Any reform of TP schemes must include the deletion of any cash contributions from landowners. I would argue that this will be the most effective in reducing delay.

3. TP schemes involve no sale of plots. That is why betterment contributions are necessary. As a corollary to (2) above, contributions in the form of land for sale might be a better idea.

4. TP schemes are too highly legalistic and formalised while LR schemes involve a substantial process of consultation. The mode is of cooperative action rather than confrontation. Delays can be reduced if landowners are also convinced of benefits.

5. Most TP schemes are in undeveloped areas. Thus, in the process of land development, readjustment, and replotting, landowners also make money from plot sales from land given back to them. This is one of the reasons why they can also perceive a benefit to them.

In summary, TP schemes do not have some of the key features of LR schemes—replotting, readjustment, sale of plots (by landowners or government), and consultation. It is, therefore, misleading to suggest that they are similar to LR schemes. They have much more similarity to betterment taxation—the only difference in TP schemes is that a portion of the betterment contribution is in kind, *i.e.*, in land contributions.

—RAKESH MOHAN

# Urban Land Pooling/Readjustment in Western Australia<sup>1</sup>

R.W. ARCHER

LAND POOLING is a technique for carrying out the unified servicing and subdivision of separate landholdings in urban fringe areas for their planned urban development. As well as being used in Western Australia, it is widely used in Japan, South Korea and Taiwan where it is known as land readjustment, consolidation and redistribution, because it involves these processes. Land pooling/readjustment has some similarity to the plot reconstitution technique used in India (mainly in Maharashtra and Gujarat States) but there are important differences between the two techniques.

This paper describes and discusses the use of urban land pooling in the State of Western Australia. Although it is used more extensively in Japan, South Korea and Taiwan, it is useful to consider the West Australian experience because of the common origins and similarities of the Australian and Indian land use planning systems.

<sup>1</sup>This paper forms part of the authors continuing study of the land pooling/readjustment technique of managing and financing urban land development. Also see:

R.W. Archer, "Land Pooling for Planned Urban Development in Perth, Western Australia", *Regional Studies*, Vol. 12, No. 4, 1978, pp. 397-408.

R.W. Archer, *Land Pooling by Local Government for Planned Urban Development in Perth*, Australian Institute of Urban Studies, Canberra, 1980, pp. 69. An edited version of this monograph was published in W.A. Doebele, editor, *Land Readjustment: A Different Approach to Financing Urbanisation*, D.C. Heath and Co., Lexington, Massachusetts, 1982, pp. 29-53.

R.W. Archer, *Bibliography p. 797: A Bibliography on Land Pooling/Readjustment/Redistribution for Planned Urban Development in Asia, Australia and West Germany*, Vance Bibliographies, Monticello, Illinois, 1981, pp. 12, and R.W. Archer, *The Use of Land Pooling/Readjustment to Improve Urban Development and Land Supply in Asian Countries*, HSD Working Paper No. 14, Human Settlements Division, Asian Institute of Technology, Bangkok, 1984, pp. 39.

## MANAGING AND FINANCING URBAN DEVELOPMENT

Public planning control of urban land use in Australia is by the planning scheme system and is authorised in most of the six states by state government legislation based on the English *Town and Country Planning Act, 1932*. Under this system each planning authority prepares a land use and network plan, with supporting zoning and reservation regulations, to guide and regulate urban growth. It then uses this plan to review and regulate the proposals for development projects submitted to it for planning permission, to ensure that they conform to the plan.

This system of planning control is used at both the metropolitan and local government levels, and it provides a means of regulating urban development so as to achieve the planned pattern of urban land use over the long run. But it does not ensure the efficient and orderly development of urban-fringe lands, for a number of reasons. First, the initiative for development rests with the numerous private landowners and developers with their diverse land use objectives, and some of the urban-fringe lands rezoned to urban uses remain undeveloped for many years. Second, the extension of the public utility networks to the rezoned lands is frequently delayed by shortages of public funds so that the servicing and subdivision of the land is delayed or incomplete. (Meanwhile, the landowners receive the large increases in land values that are generated by urbanisation and which anticipate the connection of the utility services.) Third, the urban-fringe land market is subject to periods of excessive land speculation which cause a scatter of urban development and under-used road and utility networks, as well as accelerating the increase in the prices of land and house sites.

A range of measures have been adopted and/or proposed to provide the planning authorities with more positive measures for implementing (and financing) their plans for new urban areas. The subdivision regulations are used to require land subdividers to construct the road and utility works and to provide land and financial contributions in order to get permission for their land subdivision projects to proceed. The adoption of the staged rezoning of urban-fringe land to urban uses provides a restraint on the scatter of land and building development and allows the detailed planning of these areas prior to rezoning.

The technique of negotiated rezoning is often used to 'negotiate' additional works construction, land dedication and/or financial contributions from the developers in return for rezoning and planning

permission.<sup>2</sup> Sometimes private developers are able to assemble large areas of rural land near the metropolis and then negotiate a land rezoning and development agreement with the metropolitan planning authority for the progressive development of the land to an agreed plan and programme with the developer financing the construction of all the infrastructure works and providing amenities.<sup>3</sup>

Planning authorities are usually authorised by the planning legislation to undertake land acquisition (by compulsory purchase, if necessary) and development projects for the implementation of their plans. However, they are usually discouraged from using this power by the general landowner opposition to any compulsory land acquisition. A number of state governments established urban land commissions/councils in the mid seventies to undertake land acquisition and subdivision projects, mainly to provide house sites for sale, and these bodies could cooperate with the planning authorities and undertake land banking and/or land subdivision projects to implement planning schemes.

In Western Australia, the *Town Planning and Development Act, 1928-1984* goes beyond the usual state government town planning legislation and provides local government councils with two other measures for the positive implementation of their municipal planning schemes. First, it authorises the councils to prepare and implement supplementary planning schemes for the 'guided development' of selected areas of privately owned lands to the urban uses specified in the municipal planning scheme. In these guided development projects the council prepares a street layout and open space plan for the designated area and then constructs the infrastructure and improvement works needed to allow private land subdivision to proceed. It allocates the costs of its works and land acquisition across all the landholdings and recovers them by imposing a levy on the land that is payable at the time the landowners subdivided their land. The initiative for subdivision remains with the landowners but these projects often stimulate them to subdivide their land promptly.<sup>4-5</sup>

<sup>2</sup>This is done by initially zoning the lands proposed for urban uses as "future living area" and then negotiating their rezoning to residential use on a project by project basis.

<sup>3</sup>See... R.W. Archer, "The Theory and Practice of Large-Scale Land Development," *Royal Australian Planning Institute Journal*, Vol. 15, No. 2, May 1977, pp. 67-72.

<sup>4</sup>These "guided development schemes" are closer to the Indian plot reconstitution schemes than are the land pooling schemes, but there are important differences.

<sup>5</sup>See... David Carr, "The Development Game in Perth", *The Developer*, Sydney, Vol. 13, No. 4, March-June, 1976, pp. 57-71.



Second, the Act authorises land councils to prepare and implement supplementary planning schemes for the pooling of the private and public lands in selected areas for the unified subdivision of these lands as a single estate. These pooling schemes authorise the compulsory acquisition and consolidation of the separate landholdings so that they can be planned, serviced and subdivided as a single estate with the costs being spread across all the lands and recovered from the increase in land values generated by the project. Pooling enables the councils to act as land developers without buying the land but in a compulsory partnership with the landowners.

#### NATURE OF LAND POOLING

When undertaking a pooling project, the council first prepares a 'planning scheme' to define, authorise and regulate the project. This scheme is exhibited and reviewed and then approved by the minister. The council then assembles the private, government and public lands in the scheme area by compulsory acquisition, and without paying compensation. It designs and carries out the infrastructure works and then services and subdivides the land into building sites, using borrowed funds to finance its works. The council sells some of the sites to recover its outlays and costs and to repay the loan, and then passes the other sites back to the landowners as 'compensation' for their land. The steps and stages and other details of a case study land pooling project are shown in the Appendix.

The main advantages of land pooling stem from the temporary unification of separate landholdings for their unified design, servicing and subdivision. The unification allows the council to:

- design a well laid out estate;
- carry out the land servicing and subdivision efficiently and economically;
- spread the costs of the works and servicing across all the lands;
- recover the project costs from the increase in land values generated by the project;
- recover the project costs promptly by selling some of the sites;
- achieve timely land subdivision for orderly urban expansion; and
- counter the withholding of land for speculative purposes and ensure an adequate land supply for housing development.

Pooling provides a means of achieving the advantages of large-scale land development in a situation of separate landholdings.<sup>6</sup>

<sup>6</sup>R. W. Archer, *op. cit.*

Although the landowners could joint together to mount their own pooling project to obtain these advantages, this is unlikely to happen because of the difficulty of getting all the landowners to agree. When a local government council acts as the pooling agency it is also able to provide additional advantages through its governmental powers and status.

Land Pooling can provide real benefits, but they are not automatic benefits. Each project has to be soundly conceived, properly organised and well-managed. Most of the potential benefits listed above can be provided by individual land pooling projects. The final two benefits of achieving orderly urban expansion and ensuring an adequate supply of land for new housing development, depend upon successfully programming and coordinating the various pooling projects with all the other land subdivision projects in-progress, into a coherent programme for metropolitan expansion and land supply.

#### *Preconditions for Successful Pooling Projects*

A number of factors contribute to successful pooling projects. It is appropriate to use the land pooling technique when. . .

- (i) the ownership of the urban-fringe lands is fragmented into numerous separate holdings;
- (ii) the urban-fringe lands are physically ripe for urban development with the utility network mains nearby;
- (iii) the urban-fringe lands are economically ripe for development with a market demand for the sites sufficient to support the profitable subdivision of the land;
- (iv) the relevant local government council (or other government authority) is genuinely interested in achieving orderly urban development to a planned pattern of urban land use;
- (v) a majority of the landowners in the proposed pooling area understand and support the use of pooling; and
- (vi) there are skilled and competent personnel available to manage the formulation and implementation of pooling projects.

Assuming that these general conditions are met, then each pooling project will also need to be financially viable and soundly managed. Each project will need to generate land value increases sufficient to cover the project costs and leave the landowners with a significant gain in total land value. Each project will need to be well-managed in order to achieve efficient and economical land servicing and subdivision. This financial viability and sound management is assisted by the preparation and publication of a pooling scheme for the project and this scheme should be supported by a financial plan. The pooling

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Land Pooling can provide real benefits, but they are not automatic benefits. Each project has to be soundly conceived, properly organised and well-managed. Most of the potential benefits listed above can be provided by individual land pooling projects. The final two benefits of achieving orderly urban expansion and ensuring an adequate supply of land for new housing development, depend upon successfully programming and coordinating the various pooling projects with all the other land subdivision projects in-progress, into a coherent programme for metropolitan expansion and land supply.

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agency will need to liaise and consult with the landowners and government works authorities, particularly in the planning of the project, in order to obtain their support and cooperation.

### *Municipal Pooling Projects in Perth*

Land pooling is authorised by the Western Australian *Town Planning and Development Act, 1928-1984*; specifically by section 6 of the First Schedule to the Act. Councils are authorised to undertake pooling projects as a means of implementing their municipal planning schemes, and a supplementary "town planning scheme" has to be prepared for each pooling project.

Most of the land pooling in Western Australia is undertaken in Perth, a small metropolis of one million persons with two thirds of the state's population. But only a minor part of the city's expansion is by way of pooling projects as most suburban development takes place by private land subdivision and housing development projects. Three state government bodies also undertake land subdivision and/or housing development projects. The network infrastructure mains are provided by the relevant state government body and the internal network infrastructure is provided by the land subdividers. Only ten of the 26 local government councils in the Perth metropolitan area undertake pooling projects. This is partly because land pooling is mainly used as a means of overcoming development 'problems' rather than to ensure orderly development and adequate land supply, and partly because a few local councils prefer to use the alternative procedure known as "guided development projects" that does not involve the acquisition and consolidation of the separate landholdings.<sup>7</sup>

Although the town planning law authorised the use of land pooling as from 1928, the first pooling project was not undertaken until 1953 when a Perth local government council undertook a pooling project to redesign and resubdivide an undeveloped and obsolete subdivision estate and to construct the road and utility networks. By 1982 some 54 pooling projects had been commenced by ten local councils in Perth. They were mainly in residential areas and ranged from a 1.5 hectare project to provide 20 house sites up to a project for 250 hectares in about 105 separate landholdings to provide 1934 house sites.<sup>8</sup> Most of the projects are undertaken in order to finance the construction of special infrastructure works such as a drainage system for marshy land, or a sewer mains extension in advance of the

<sup>7</sup>David Carr, *op. cit.*

<sup>8</sup>Michael Maher, *Land Pooling in Perth, Western Australia*, Postgraduate diploma dissertation, Department of Urban and Regional Planning, W.A. Institute of Technology, Perth, 1982, pp. 144.

programmed extension, or to implement a highway extension, or to replan and service an old undeveloped subdivision estate. Only three Perth local governments (the Stirling, Canning Town and Bayswater Municipal Councils) have made general use of land pooling to progressively develop their municipal areas. They had undertaken 40 pooling projects up to 1982.<sup>9</sup>

Most pooling projects are for residential areas and they cover only the land development stage of urban development. However, the Perth experience has been that most of the new house sites are brought into building development promptly after subdivision. No pooling projects have been undertaken for the redevelopment of established urban areas.

The case study presented in the Appendix provides the details of a specific pooling project. This project was carried out during 1972-1974 in suburban Perth to replan an area previously subdivided into market-garden plots and to instal a drainage system to make the area suitable for housing development. The data given in the Appendix show that the 11 private landowners participating in the project put in land worth A\$ 118,400 and received back house sites and cash totalling A\$ 308,980 in value, after the project costs of A\$ 120,270 had been recovered by the local council. The landowners therefore received a net value gain of 160 per cent on their land from the project.

The pooling projects are carried out by councils within the context of their municipal planning schemes, so that they do not involve the rezoning of land. The land value increases associated with pooling are generated by the projects through the consolidation of the separate landholdings. The servicing and subdivision of the land, and through the provision of facilities and amenities in the estate. They are also influenced by any general inflation in urban land values that might occur during the period of the project. The council recovers its costs and outlays on the project from the increase in land values by retaining and selling some of the new building sites.

A planning scheme has to be preped for each pooling project in the form set out in the *Town Planning Regulations, 1967*.<sup>10</sup> The planning scheme for the pooling project (*i.e.*, the pooling scheme) defines the project and, when it is approved by the Minister for Urban Development and Town Planning, then authorises and regulates its implementation.

<sup>9</sup>Michael Maher, *op. cit.*

<sup>10</sup>These regulations provide a broad guide only as the one set of regulations apply to municipal planning schemes, guided development schemes and land pooling schemes.

*A Council/Landowner Partnership*

The pooling projects undertaken in Perth can be viewed as compulsory partnerships between the council and landowners for the design, servicing and subdivision of their lands as a single estate. The pooling scheme, particularly the scheme text, is in effect a partnership agreement for the project. In this partnership the council contributes project management, project finance (by raising a loan), and the use of its governmental status and powers (particularly the compulsory land acquisition power) to the project. The landowners contribute their land for the period of the project.

The council gains an improved pattern of urban land use and the provision of public infrastructure works and facilities at no cost. The landowners gain a number of serviced building sites which are readily saleable and which have a significantly higher market value than the lands they contributed.

The pooling technique uses the 'resumption' method of compulsory land acquisition. Under this method the ownership of the the private, public and government lands in the scheme area is transferred to the council by publication of a ministerial notice in the *Government Gazette*<sup>11</sup> with the landowners then lodging a claim for compensation. In the case of pooling projects, the acquisition is authorised by the pooling scheme when it is approved by the minister. The landowners do not claim compensation but wait for the transfer of the serviced building sites to them plus or minus a cash adjustment.

Each landowner's share in the pooling project is based on the the market site value of his land taken into the project. Where a landholding has a building on it the owner is paid compensation for the building or receives back the site with the building on it. Some lands within the scheme area may not be included in the cost and profit sharing arrangements. These are usually lands on the edge of the area which receive little benefit from the pooling project.

Where a landholding is mortgaged the mortgage loan is guaranteed by the pooling scheme and is reinstated on one or more of the new house sites. The mortgage lender is notified, alongwith the landowner, of all scheme proposals and measures.

Although the pooling project carried out in Perth have been council/landowner partnership projects, the councils have not taken a share of the project profits. That is, they have passed all the net increase in land values, after recouping the project costs, on to the

<sup>11</sup>R.W. Archer, *Planning and Managing Metropolitan Development and Land Supply*, CEDA—Committee for Economic Development of Australia, Melbourne, 1976. See Chapter 5, "Improving Metropolitan Planning", pp. 36-55, and Chapter 6, "Improving Metroplitan Development", pp. 56-72.

landowners. But the councils have usually obtained significant 'planning gains' from the pooling projects through the prompt development of well laidout suburbs, and by the provision of public infrastructure works and public facilities at no cost to the council. However, the partnership concept of land pooling suggests that the project profits should be explicitly shared with the council as well as between the landowners.

#### IMPROVING LAND POOLING IN WESTERN AUSTRALIA

The pooling technique that is used in Perth could (and should) be improved in a number of ways. It would be desirable to:

- (a) Formulate and adopt a standardised format and text for pooling schemes.
- (b) Formulate and adopt a standard costing policy for pooling projects. The house sites and other building sites produced in pooling projects should continue to be sold or valued at the prevailing market prices. The costing policy would provide a formula to identify the cost items that could charge against pooling projects and used to calculate project profits. The costing policy would also provide criteria for drawing the boundaries of project areas.
- (c) Set up a committee of landowner and planning authority representatives for each project to oversight the preparation and implementation of each scheme;
- (d) Adopt the principle of sharing the project profits between the council and the landowners. The project profits would be calculated as the increase in land values (adjusted for any general inflation in urban land prices) less the council's outlays on the standard cost items.
- (e) Increase the size of pooling projects in urban-fringe areas so as to obtain the full advantages of large-scale land development. These larger-scale projects should include the rural-to-urban rezoning of the lands in the scheme so as to bring the increase in land values caused by the rezoning into the project.

It would also be desirable for councils to undertake pooling projects when this is required for the progressive implementation of their municipal planning schemes. In metropolitan areas this would require the metropolitan planning authority to formulate a programme for staged urban expansion under which the extensions to the metropolitan utility networks are coordinated with the staged rezoning of the urban-fringe lands. This metropolitan programme would provide



the framework for each of the local government councils in urban-fringe areas to formulate a programme for the orderly development of their municipality. These municipal programmes would provide for the progressive subdivision of land through a combination of private land subdivision projects, land pooling projects, negotiated land rezoning and development projects, land commission projects, etc.

### CONCLUSION

Land pooling provides a means of managing and financing the subdivision of private landholdings for planned urban development. It is a potentially important technique for improving urban development and land supply because it could be widely adopted throughout Australia and in other countries. The West Australian experience has shown that land pooling provides governments with a means of managing the planned development of private landholdings that is politically, financially and administratively feasible. It is politically feasible because it is usually supported by most landowners, and is financially feasible because there is no outlay on land assembly and the outlays on works and servicing can be recovered promptly. Pooling is administratively feasible because councils can learn the technique by beginning with small-scale pooling projects and by hiring consultant project managers.

For Indian land use planners, the successful use of land pooling in Western Australia must raise the question of why not adopt it in India to overcome the limitations of the plot reconstruction technique?

## **Appendix**

### **CASE STUDY OF A LAND POOLING PROJECT**

The Canning Town Municipal Council in suburban Perth carried out the Tribute Street Land Pooling Project during 1972/1974. It covered about 20 hectares of land in an obsolete and undeveloped subdivision estate in a residential area. The purpose of the project was to instal a main drainage system and to resubdivide the area into serviced house sites (but without mains sewerage) and to provide a park and a kindergarten site. The council assembled some 13 unserviced lots zoned for residential use and averaging about 3,000 square metres ( $\frac{3}{4}$  acre) each, and closed the streets and an open drainage-way in the area designated for pooling. The council also contributed some lands, partly for park land and partly in exchange for a business site and two house sites.

The project was commenced in March 1972 when the council resolved to prepare a planning scheme for the project. It was implemented between March 1974, when the lands were acquired, and November 1974 when the new house sites were transferred to the landowners. The 11 landowners had contributed 13 lots zoned for residential use totalling 38,400 square metres and valued at \$118,400 as at March 1972 (the date of the council resolution). The landowners received 33 house sites totalling 30,500 square metres.

As well as receiving the 33 house sites with a Market value of \$283,300, the 11 landowners received net cash adjustments of \$8,298 and the final cash surplus of \$17,382. This total return of \$308,980 gave them a 160 per cent increase on the assessed value of their landholdings as at March 1972. Some 25 per cent of this increase was due to the general upward movement in market land values throughout Perth between March 1972 and November 1974, so that 120 per cent of the increase was generated by the consolidation of the lots and by the servicing and subdivision of the land. The consolidation of the lots would have increased the value of the land by a significant amount because the lots were all too small to attract bids from land developers.

The council sold the other 18 house sites at auction for \$145,950 to recover the \$120,270 it had spent on servicing and subdivision of the land. The major part of the council's expenditure was on the roadworks, reticulation works, etc., that are normally paid for by the land subdivider. However, as the original landholdings were old subdivided lots of about 3000 square metres each and zoned for residential use, they would not have been subject to the full development conditions normally imposed on land subdividers. Therefore, part of the \$62,000 which the council spent on these works and recovered from the sale of house sites would represent a net saving to the council. The council also obtained \$3,460 of park development works which were charged to the project.

The council also participated in the project as a landowner, but on a land exchange basis rather than on a partnership (full cost-sharing) basis. It contributed two parcels of land totalling 13,500 square metres which it had purchased for \$39,500. The council obtained a park with a house for a pre-school centre (5450 square metres) and three building sites totalling 5500 square metres. These were two house sites which it sold for \$14,300 and a service station site which it leased for an initial payment of \$32,500 cash for the first five years rent with the annual rent of \$56,500 escalating at 10 per cent p.a. from the sixth year.

The Metropolitan Water Board, which agreed to the conversion of its open drainage ways to drainage easements, obtained \$32,660 worth of main drainage works. These works, which are normally the financial responsibility of the Board,

were included in the \$ 120,270 project costs

It is apparent that in this pooling project the major share of the benefit from the partnership went to the landowners, although the council obtained a useful 'planning gain' from the project plus parkland, a house, two house sites and a business site from its land exchanges, as well as achieving the prompt and efficient resubdivision of the land. The Water Board received main drainage works at no cost and the Department of Lands and Survey received two house sites.

The landowner's handsome net return from the pooling project was higher than usual through the increase in value generated by the consolidation of uneconomic sized lots, but it indicates the reason for landowner support for land pooling projects. It also raises the question of whether there should be full (and explicit) sharing of the true profits of each project between the council and landowners as partners in the project.

Details of the Tribute Street Land Pooling Project are shown in the attached plans and in the four charts showing:

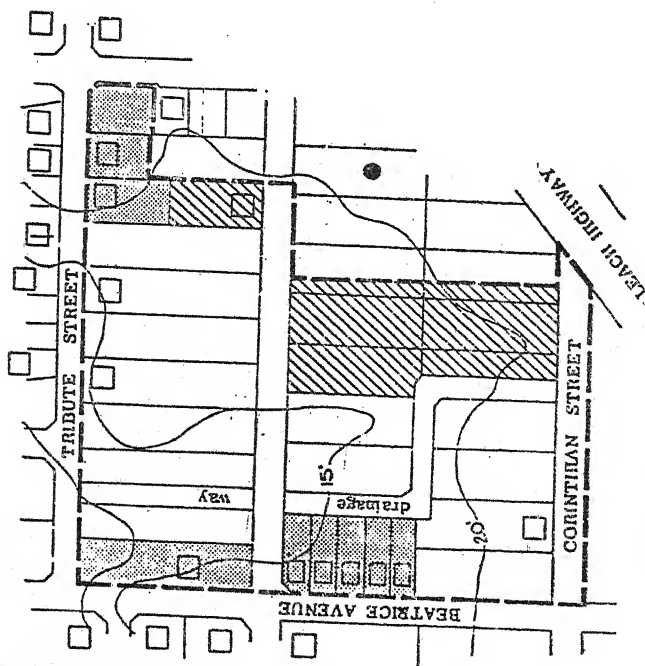
1. The Timetable of Scheme Preparation and Implementation;
2. The Land Transactions Statement;
3. The Financial Transactions Statement; and
4. The Private Landowners' Transactions Statement.

# LAND POOLING SCHEME IN PERTH

Canning Town Planning Scheme No. 26 (Approved by Minister in June 1973)

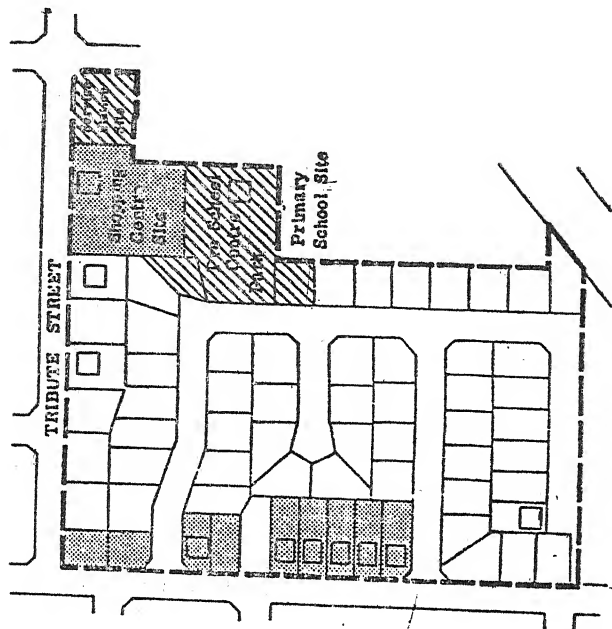
## A. AREA MAP

Showing the scheme area, street layout, lot boundaries and houses



## B. SCHEME PLAN

Showing the replanned street layout, lot boundaries, houses, street closures and local centre



## Chart 1

## TIMETABLE OF SCHEME PREPARATION AND IMPLEMENTATION

January 1972	Preliminary investigation by Council's Planning Department to determine Scheme area boundaries.
March 1972	Council resolution to prepare scheme. Request to the Chief Valuer of the State Taxation Department to assess the market value of the lands to be included.
1972	Preparation of draft scheme with circulation to government utility and works authorities, and modification to draft.
February 1973	Council resolution to submit draft Scheme to Minister for Town Planning and Urban Development for preliminary approval, i.e., for approval to place the draft Scheme on public exhibition.
February 1973	Meeting of Council Town Planning Committee with landowners in Scheme area to explain draft Scheme and to present land valuations and cost estimates.
April 1973	Minister's preliminary approval of draft Scheme for public exhibition (up to 1 June 1973) for public information and objections. (No landowner or other person lodged an objection to the Scheme).
April 1973	Council's provisional written land exchange offer to landowners, listing their old and new lots and their valuations.
June 1973	Minister's final approval of Scheme with publication of the Scheme text in <i>Government Gazette</i> .
July 1973	Council notification of the approved Scheme to the public utility authorities. Main Roads Department and Education Department.
August 1973	Government approval for Council to borrow \$80,000 by bank overdraft for Scheme works.
February 1974	Council's formal offer of new lots to landowners, with cash adjustment to each landowner revised. (No landowner lodged an objection to the valuations).
April 1974	Minister for Public Works resumes and consolidates private, public and government lands in Scheme area and vests them in the Council by notice in <i>Government Gazette</i> . (No landowner lodged a claim for compensation).
April 1974	Commencement of subdivision works.
April 1974	Council payment of cash adjustment amounts to landowners following their acceptance of the offers.
May 1974	Council leases service station site to oil company.
August 1974	Completion of subdivision works.
July 1974	Council begins arranging transfer of new lots to landowners.
September 1974	Auction sale of the 18 new lots retained by Council to recover its outlays and costs. Also, sale of two Council-owned new lots.
November 1974	Council issues the certificates of title for the new lots to the landowners.
July 1975	Distribution of the final cash surplus to \$17,382 from the Project between the landowners.

**Chart 2**

**LAND TRANSACTIONS STATEMENT**

<i>LANDS IN</i>	<i>LANDS OUT</i>
(A) <i>Lands in Scheme Area and in Cost Sharing Scheme</i>	
13 Privately owned 'old lots'	33 Privately owned 'new lots' (house sites)
	<i>and</i>
	18 Council owned new lots sold to recover costs.
(B) <i>Lands in Scheme Area but not in Cost Sharing Scheme</i>	
5 Privately owned lots (with houses on each)	5 Privately owned lots (with houses on each)
1 Privately owned old lot	4 Privately owned new lots
3 Privately owned old lots (zoned 'business purpose')	1 Privately owned large new lot (shopping centre site)
<i>and</i>	<i>and</i>
1 Council owned old lot (zoned residential)	1 Council owned new lot (service station site)
Council land parcel of old lots	1 Public park and kindergarten site and building
	<i>and</i>
Road closures	2 Council owned new lots
	2 Department of Lands and Survey owned new lots
Public roads	Public Roads
Water Board main drainage way.	Main drainage easement.

## Chart 3

## FINANCIAL TRANSACTIONS STATEMENT

1. Eleven private landowners contributed 13 'old lots' valued at \$118,400 as at March, 1972.
2. The scheme costs were estimated at \$113,000 and the 51 'new lots' to be created were valued at \$340,000 as at March, 1972. The 'owner's value ratio' the ratio of the total value of new lots minus the scheme costs to (the total value of old lots) was therefore estimated at 2.
3. The actual scheme costs totalled \$120,270, being made up of the following items. . .

	\$
Main drain works	32,660
Other drainage works	21,119
Water mains	6,420
Roadwork	23,701
Land filling	10,500
Park development works	3,459
Other works	2,664
Administration	3,075
Survey, valuation and legal charges	6,979
Auction sale commission	5,303
Bank interest and charges	3,488
Rates	522
Printing and advertising	380
<b>TOTAL</b>	<b>120,270</b>

4. The 11 private owners received 33 new lots in November, 1974 valued at \$ 224,950 (average \$ 6,817 per lot) plus cash adjustments of \$ 8,298 net based on the revised owner's value ratio of 1.97. Council sold 18 new lots valued at \$ 115,750 (averaging \$ 6.430 per lot) to recover costs.
5. These 18 lots were sold by council at auction for \$ 145,950 (averaging \$ 8,100 per lot) in September, 1974 and these revenues were used as follows:
  - \$ 120,270—recoupment of scheme costs.
  - \$ 8,298—net payments to owners as cash adjustments to achieve the 1.97 owner's value ratio.
  - \$ 17,382—distribution of cash surplus to owners.
6. If the 33 new lots passed to the 11 private owners are valued at \$ 8,585 each (on the basis of the average price paid for the 18 new lots sold at auction), then their total value would be \$ 283,300. The \$ 25,680 net cash payments to the landowners would increase the total value of the 11 private owners recovery to \$ 308,980. This represents an actual owner's value ratio 2.61 on the \$ 118,400 valuation of their 13 old lots.
7. The council contributed lands purchased for \$ 39,500. It received a kindergarten site and building, a public park, two home sites it sold for \$ 14,300, and a service station site that it leased for \$ 32,500 rent in advance with the rent of \$ 6,500 p.a. escalating at 10 per cent p.a. from the sixth year.

Chart 4

## PRIVATE LANDOWNERS' TRANSACTIONS STATEMENT

Land owner	Lands in		Lands Out and official valuations	Lands and Cash Out			
	Lands in and official Valuation	Share of Total Value		Cash Adjustment	Share of Final Cash Surplus	Sum of Value Received	Share of Total Value
A	1 lot \$ 11,500	9.7%	3 lots \$ 19,750	+ \$ 2,905	\$ 1,686	\$ 24,341	9.7%
B	1 lot \$ 7,100	6.0%	2 lots \$ 11,850	+ \$ 2,137	\$ 1,043	\$ 15,030	6.0%
C	1 lot \$ 7,000	5.9%	2 lots \$ 12,000	+ \$ 1,790	\$ 1,025	\$ 14,815	5.9%
D	3 lots \$ 20,800	17.6%	7 lots \$ 42,600	— \$ 1,624	\$ 3,059	\$ 44,035	17.6%
E	1 lot \$ 8,500	7.2%	2 lots \$ 16,750	— \$ 5	\$ 1,253	\$ 17,998	7.2%
F	1 lot \$ 8,500	7.2%	2 lots \$ 16,000	+ \$ 745	\$ 1,253	\$ 17,998	7.2%
G	1 lot \$ 12,000	10.1%	3 lots \$ 22,000	+ \$ 1,640	\$ 1,755	\$ 25,395	10.1%
H	1 lot \$ 11,000	9.3%	3 lots \$ 21,600	+ \$ 70	\$ 1,616	\$ 23,286	9.3%
I	1 lot \$ 11,000	9.3%	3 lots \$ 21,600	+ \$ 70	\$ 1,616	\$ 23,286	9.3%
J	1 lot \$ 11,000	9.3%	3 lots \$ 20,800	+ \$ 870	\$ 1,616	\$ 23,286	9.3%
K	1 lot \$ 10,000	8.4%	3 lots \$ 20,000	— \$ 300	\$ 1,460	\$ 21,160	8.4%
11	13 lots \$ 118,400	100.0%	33 lots \$ 224,950	\$ 8,298	\$ 17,382	\$ 250,630	100.0%

□



## Book Review

*The Property Tax and Local Finance*, C. LOWELL HARRISS (ed.), New York, Academy of Political Science, 1983, (Paperback), pp. \$9.95.

This volume arises out of a conference in September, 1982, of the Lincoln Institute of Land Policy in Cambridge, Massachusetts, focusing on property tax in contemporary US situation. Although many of the issues presented here are distinctly American, some of the aspects considered have wider appeal. Due to tax-payer resistance in recent times in California (Proposition 13) and in Massachusetts (Proposition 2½) there is an undercurrent of defensive stance regarding the present working of and future reliance on property tax as a major source of local government finance. However, as Shoup points out, despite its shortcomings, property tax compares quite favourably as against sales and income taxes at the federal and state levels. On the other hand, as Stern demonstrates, it is theoretically possible to replace the property tax by a flat proportional tax (FPT) on all forms of income, thereby promoting both equity and resource allocation. In between these two extremes are various suggestions for alternative forms of property taxation, such as: (i) splitting property tax in terms of a tax on housing and a tax on business real estate, (ii) a site value tax on its variant with a stiff tax on urban land as opposed to a moderate tax on structures, (iii) using a more comprehensive classification of properties for differential taxation, and (iv) using property tax as a super user charge.

The majority view seems to favour retention of property tax as a means of financing local government and views it as an important element of a balanced system of local taxation. This view contrasts with the Dutch and Swedish experiments of centralising local taxation and meeting their expenditure needs primarily through grants or surcharge on the national tax base; also this does not rely almost exclusively on the property tax for local government domestic finance, as in Britain. The idea is to enable the sub-national entities in the US to allocate independent tax sources such that these may rely on their own fiscal efforts for financing their expenditure needs and depend only marginally on revenue sharing with the federal government for budget balancing. It is in this context that specific

grants to the local government in the US are significant, as opposed to a system of general-purpose grants in other countries where the available local tax jurisdiction is either minimal or utterly inadequate.

As it is, property tax is second only to the income tax in the US from the angle of revenue yield in spite of its recent sluggish growth, mainly due to complexities in its administration and tax-payers' resistance. With wider use of computer assisted mass assessment (CAMA) and adoption of various innovations in widening the real estate tax base, the future health of property taxation and of local finance in the US seems assured, as hinted by Dick Netzer. The same message holds true for other developing countries where it is inadequately utilised due to the complexities of the property market, ineffective valuation organisation, and laxity in collection efforts.

—ABHIJIT DATTA

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